TABLE OF CONTENTS
FOR
VOLUME 2
August 22 - 23, 2007

CAMPUS LIFE COMMITTEE

9. U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013

Capital Improvement Program
FY 2008 - 2013

The University of Texas System
Board of Regents

August 23, 2007

Capital Improvement Program
Overview

- CIP Includes:
  - New Construction of $1 million or greater
  - Repair and Renovation of $2 million or greater
  - Any project with Board authorized debt
- Adopt the FY 2008 - 2013 CIP
  - Allows up to 3% to be spent on CIP projects for programming and Design Development
  - Authorizes Institutional Management of those projects so designated
- Approve the Capital Budget (FY 2008 - 2009)
  - New Construction and architecturally or historically significant projects will be presented to Board at later date for Design Development approval with request for appropriation of funds.
  - Funds for Repair and Rehabilitation projects are appropriated. The Chancellor will approve Design Development (unless institutionally managed).
- Adjust appropriations for previously appropriated projects
- Appropriate funds for Repair and Rehabilitation and Institutionally Managed projects initiated in the Capital Budget
- Approve new request for Revenue Financing System Bonds for Repair and Rehabilitation project in the Capital Budget

August 23, 2007 Page 1

9. U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013 (cont.)

Capital Improvement Program

FY 2008-2013 Capital Improvement Program Summary

200 Projects totaling $7.77 Billion

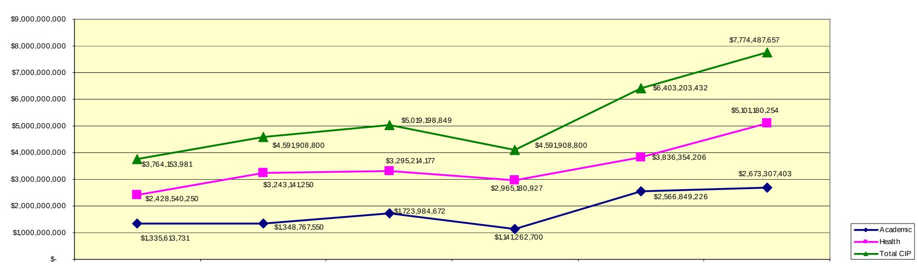
Current CIP (2006-2011)	$6,815,352,484
Net Changes to Existing Projects	407,450,000
Completed/Removed Projects	(1,007,249,827)
New Projects Added	1,558,935,000
New CIP (2008-2013)	**$7,774,487,657**

August 23, 2007 Page 2

Capital Improvement Program

FY 2008-2013 Capital Improvement Program Summary

Recent Trend in CIP Growth



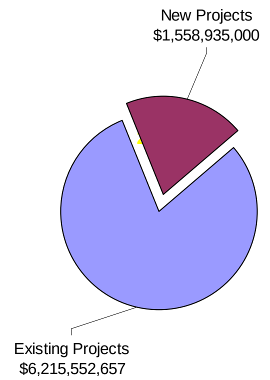
August 23, 2007 Page 3

9. U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013 (cont.)

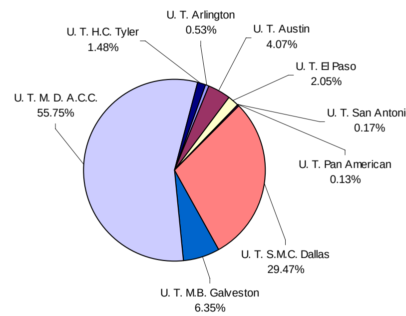
Capital Improvement Program

FY 2008-2013 Capital Improvement Program Summary

Total CIP: $7.77 Billion



New Projects: $1.56 Billion



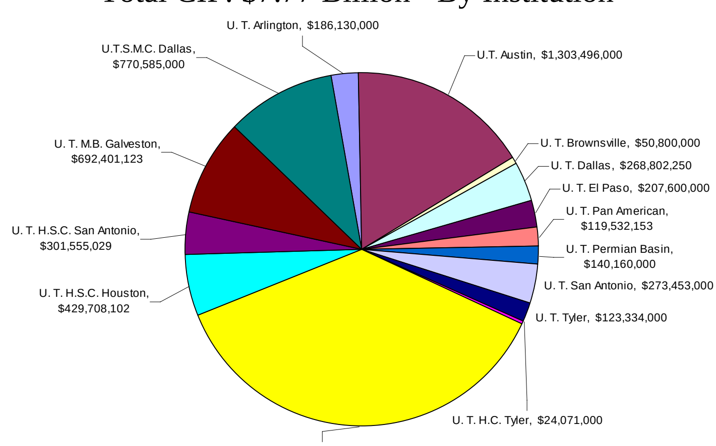
August 23, 2007

Page 4

Capital Improvement Program

FY 2008-2013 Capital Improvement Program Summary

Total CIP: $7.77 Billion - By Institution



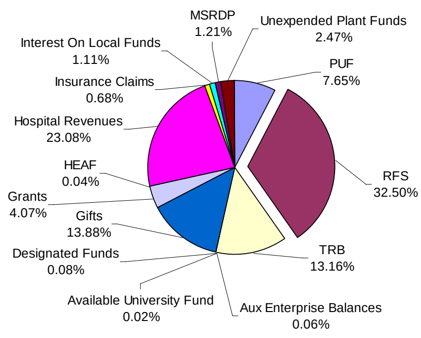
August 23, 2007

Page 5

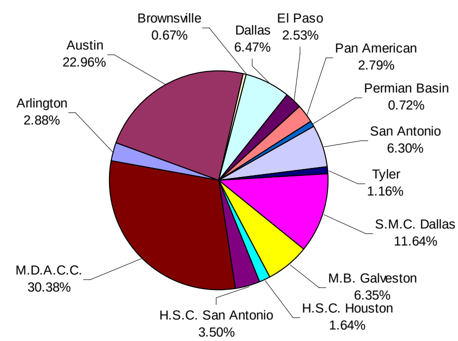
9. U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013 (cont.)

Capital Improvement Program

FY 2008-2013 Capital Improvement Program Summary



CIP Funding



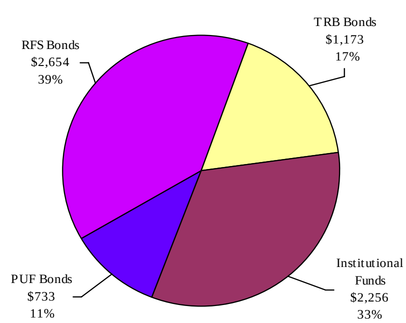
RFS by Institution

Capital Improvement Program

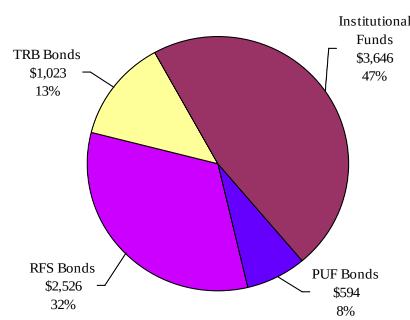
FY 2008-2013 Capital Improvement Program Summary

Funding Comparison ($ Million)

FY 2006-2011 CIP May 2007 Update



FY 2008-2013 CIP August 2007 Proposed

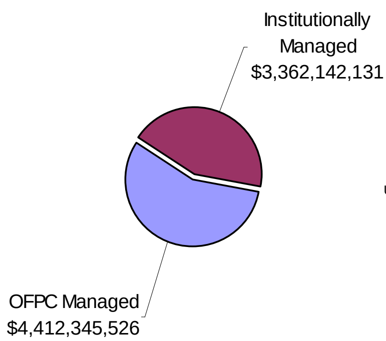


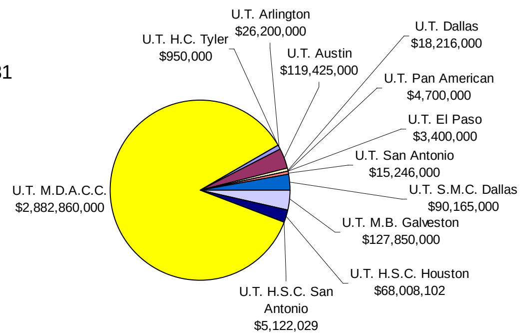
Total Debt:	$4,559.8	Total Debt:	$4,143.9
Total Institutional Funds:	$2,225.5	Total Institutional Funds:	$3,630.6
Total FY 2006-2011 CIP:	$6,815.3	Total FY 2008-2013 CIP:	$7,774.5

9. U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013 (cont.)

Capital Improvement Program

FY 2008-2013 Capital Improvement Program Summary





Total CIP: $7.77 Billion

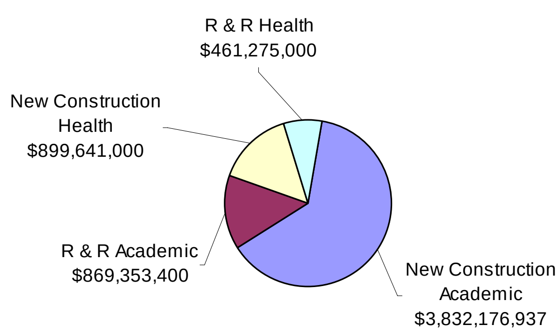
Institutionally Managed: $3.36 Billion

August 23, 2007

Page 8

Capital Improvement Program

FY 2008-2013 Capital Improvement Program Summary



Futures Projects: $6.06 Billion

August 23, 2007

Page 9

Capital Improvement Program
Estimated Economic Impact of 2008-2013 CIP

▪**Total CIP:**	**$ 7.77 Billion**
▪Construction Economic Impact:	$13.99 Billion
▪10-Year Earnings Economic Impact:	$15.49 Billion
Total 10-Year Estimated Economic Impact:	$29.48 Billion

August 23, 2007 Page 10

Capital Improvement Program
Recap of Requested Actions of the Board

- Adopt the FY 2008 - 2013 CIP
- Approve the Capital Budget for FY 2008 - 2009
- Redesignation of previously approved projects
- Adjust appropriations for previously appropriated projects
- Appropriate funds for new Repair and Renovation projects initiated in the Capital Budget
- Approve use of Revenue Financing System Bonds for Repair and Rehabilitation projects in the Capital Budget and resolution regarding parity debt
- Consideration of possible designation of new projects as architecturally or historically significant
- Approval of additional appropriation and authorization of expenditure for three projects

August 23, 2007 Page 11

Long-Term Planning
The University of Texas
M. D. Anderson Cancer Center

The University of Texas System Board of Regents

August 23, 2007

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THE UNIVERSITY OF TEXAS MD ANDERSON CANCER CENTER

Making Cancer History®

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Transforming Cancer Care Through Research

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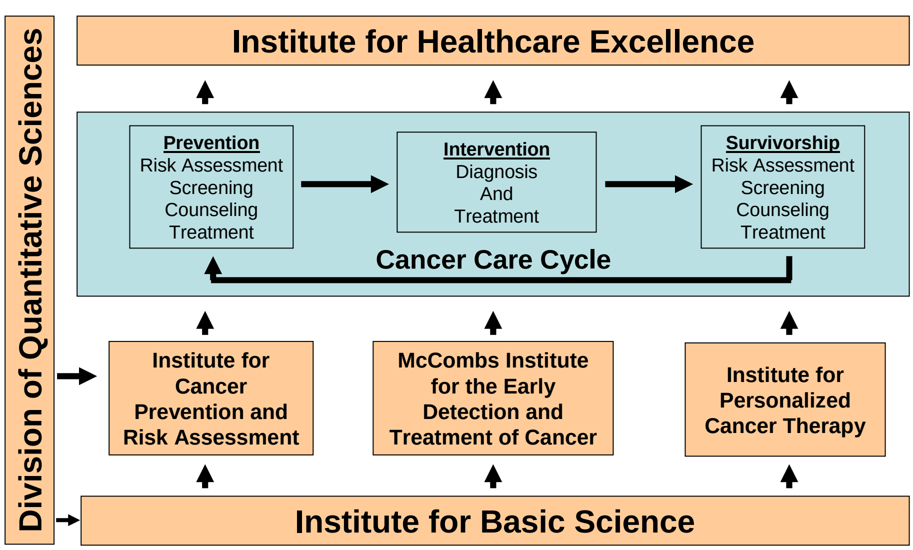

2

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Economic Forecasting Model

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Making Cancer History®

- Metric-driven business model based on a series of interrelated drivers
- Models assumptions made by UTMDACC's Executive Committee and other key internal committees based on Strategic Plan & UT System Compact
- Utilizes:
  - ~75 drivers
  - Historical data: volumes, research, staffing, space, etc.
  - Objective trend analysis
  - Subjective management input
  - Integrated Long-Term Capital Plan
- Produces six-year forecast and corresponding financial statements

3

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Economic Forecasting Model

THE UNIVERSITY OF TEXAS MD ANDERSON CANCER CENTER
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- Model was reviewed by a Board of Visitors Subcommittee
  - Membership:
    - Harry Longwell, Chair – former EVP, ExxonMobil
    - Philip Burguieres – Vice Chairman, Houston Texans; former CEO, Cameron Iron Works
    - George H.W. Bush – 41st President of the United States
    - Deborah Cannon – CEO, Houston Zoo; former President, Bank of America Houston
    - Jeffrey Hines – President, Hines Interests
    - Forrest Hoglund – Chairman, Forest Oil
    - Max Levit – CEO, Grocers Supply
    - Michael Solar – Managing Partner, Solar & Associates
    - Peter Coneway – U.S. Ambassador to Switzerland; former Advisory Director, Goldman, Sachs & Co.
    - Leon Leach – EVP, UTMDACC

4

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Economic Forecasting Model Example:

Alkek Hospital Expansion

5

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Admissions

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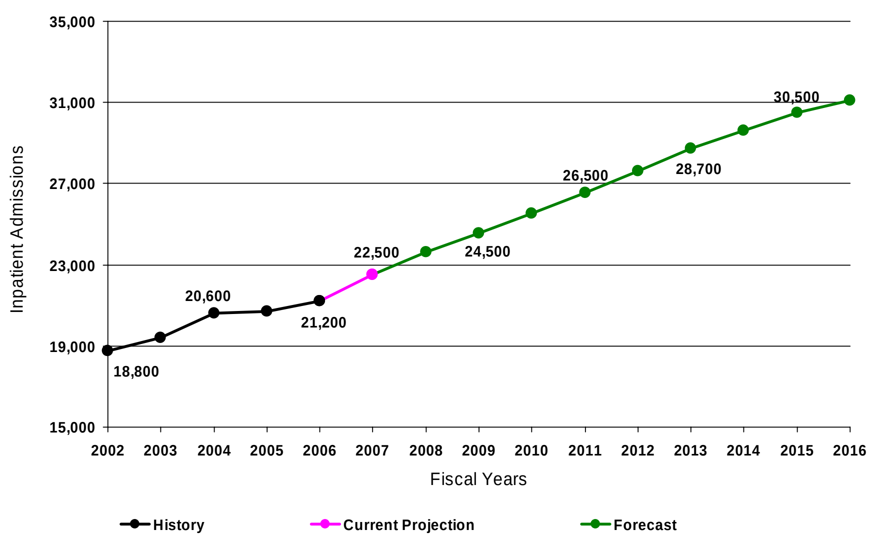

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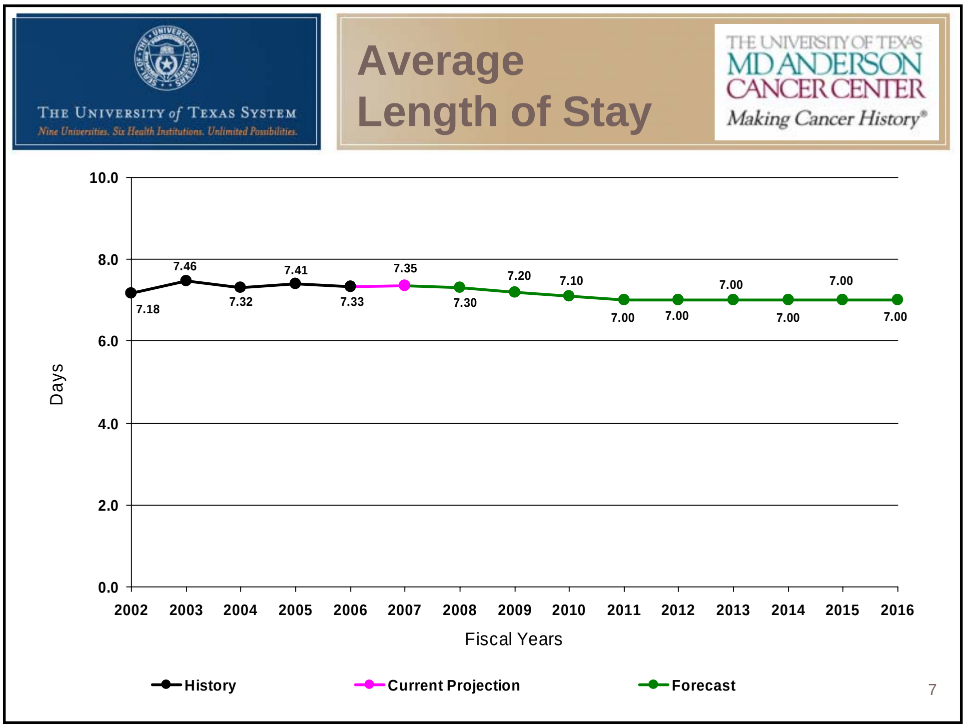
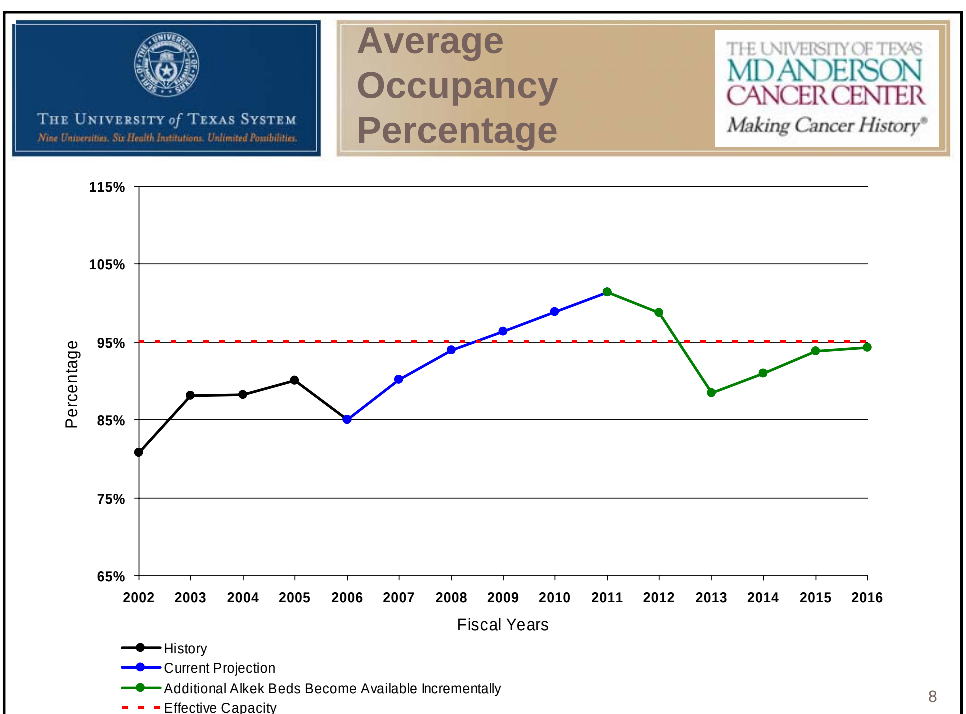
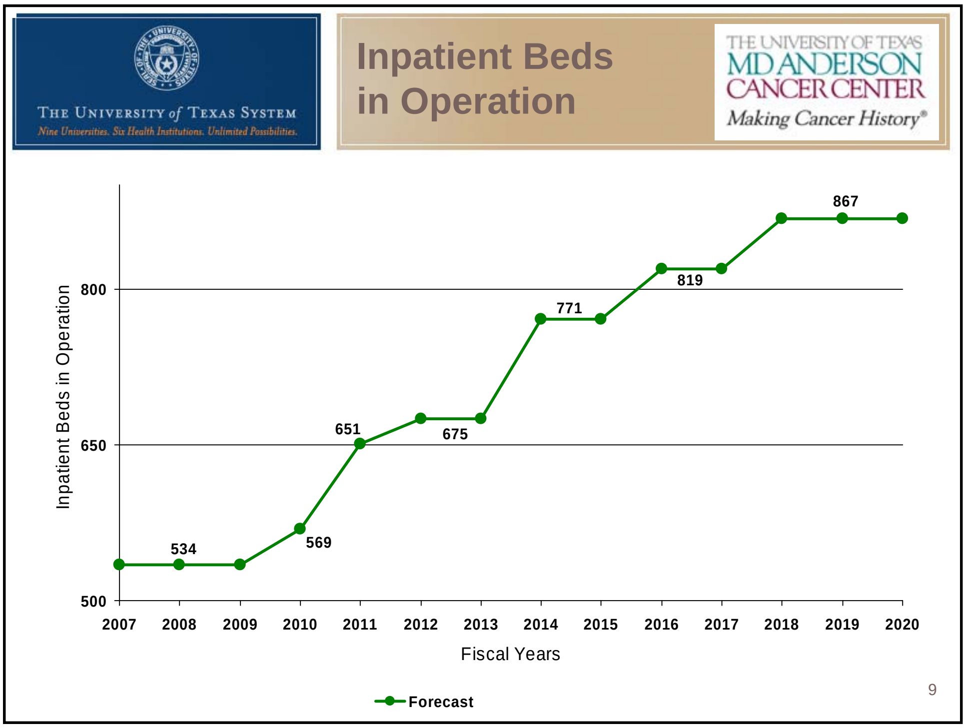
9. U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013 (cont.)



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Inpatient Beds in Operation
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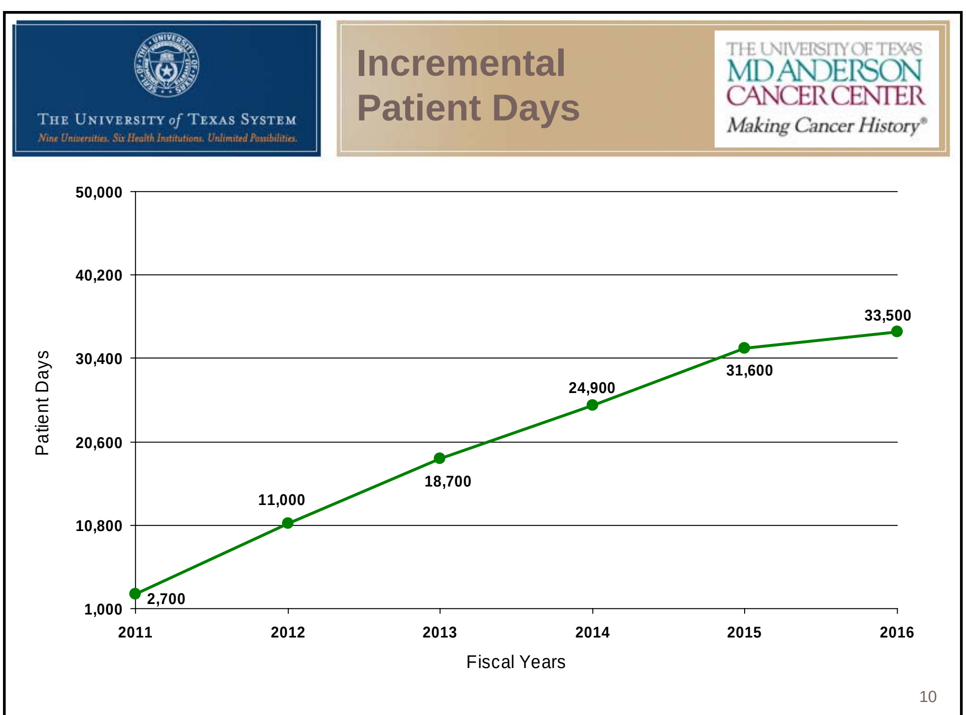
Making Cancer History®
Inpatient Beds in Operation
500
650
800
534
569
651
675
771
819
867
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020
Fiscal Years
Forecast
9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Incremental Patient Days
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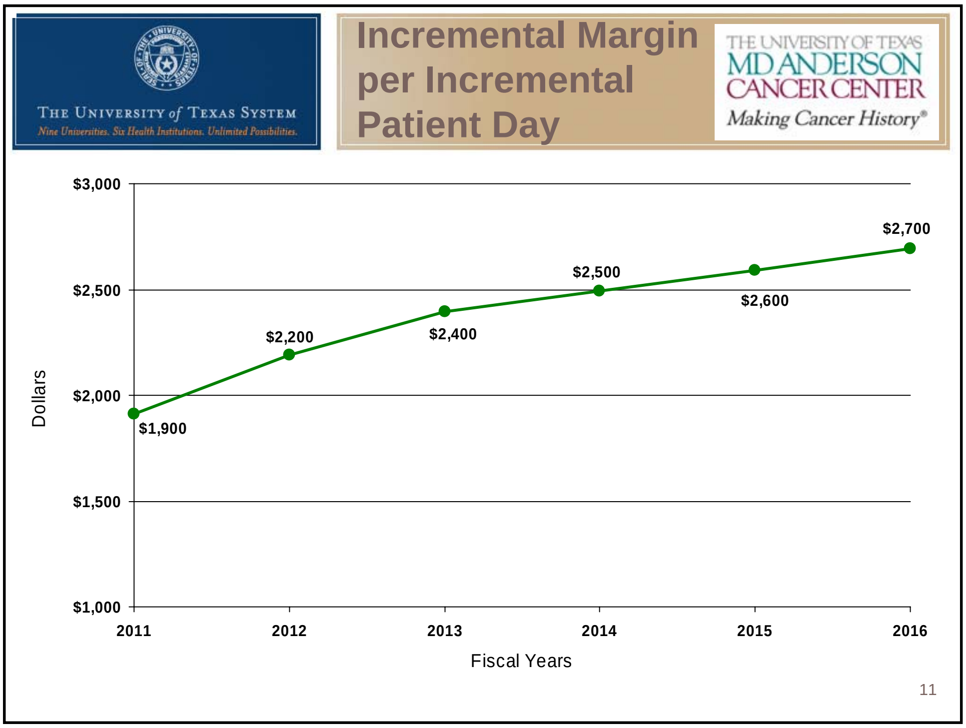
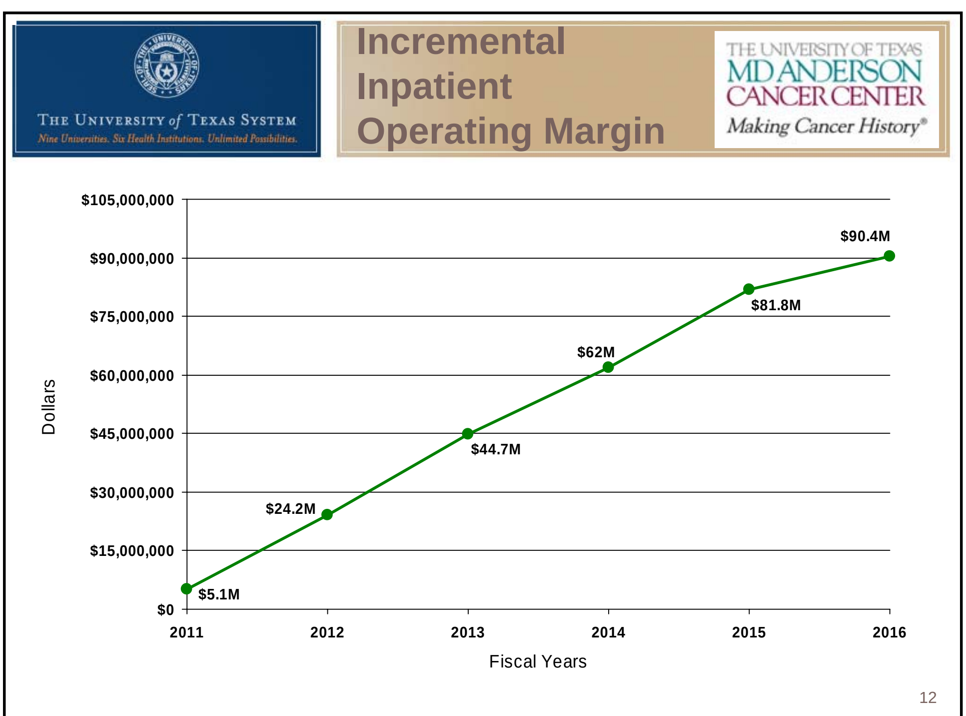
Making Cancer History®
Patient Days
1,000
10,800
20,600
30,400
40,200
50,000
2,700
11,000
18,700
24,900
31,600
33,500
2011 2012 2013 2014 2015 2016
Fiscal Years
10

9. U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013 (cont.)





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Alkek Hospital Expansion Break-Even Analysis

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Total Project Cost =	$293.2M
6-Year Incremental Operating Margin =	$308.2M

Breakeven in Year 6

13

10. U. T. System: Approval of the nonpersonnel aspects of the operating budgets

The University of Texas System Fiscal Year 2008 Operating Budget

Presented to the Board of Regents August 2007

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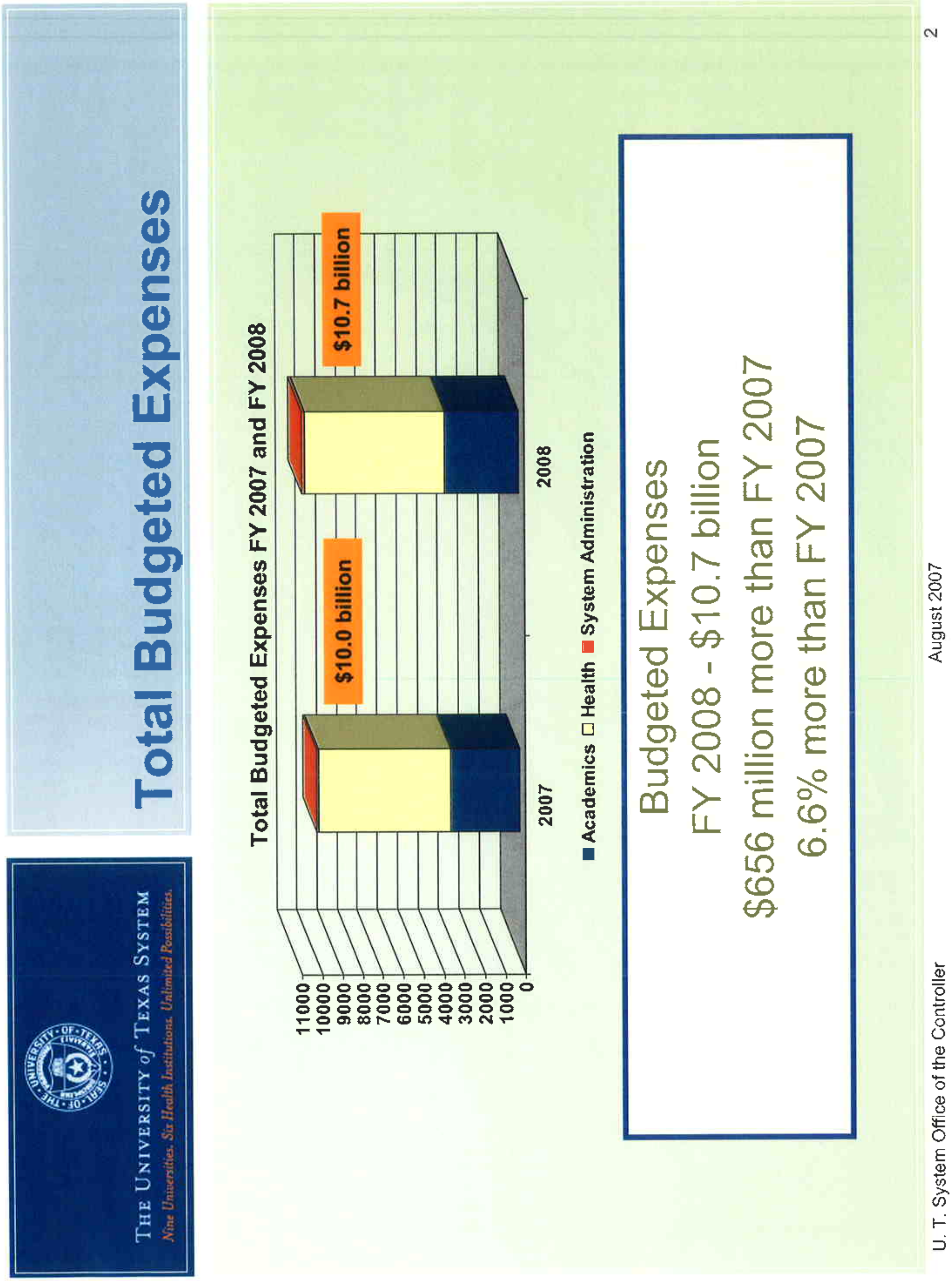
Total Budgeted Expenses
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Total Budgeted Expenses FY 2007 and FY 2008
11000
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
$10.0 billion
$10.7 billion
2007
2008
Academics
Health
System Administration
Budgeted Expenses
FY 2008 - $10.7 billion
$656 million more than FY 2007
6.6% more than FY 2007
U. T. System Office of the Controller
August 2007
2

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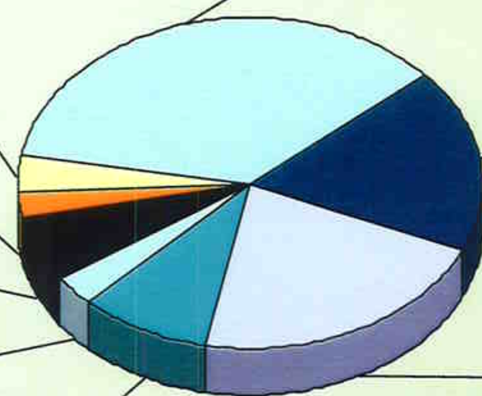
Where the Money Comes From Fiscal Year 2008



$10.9 Billion

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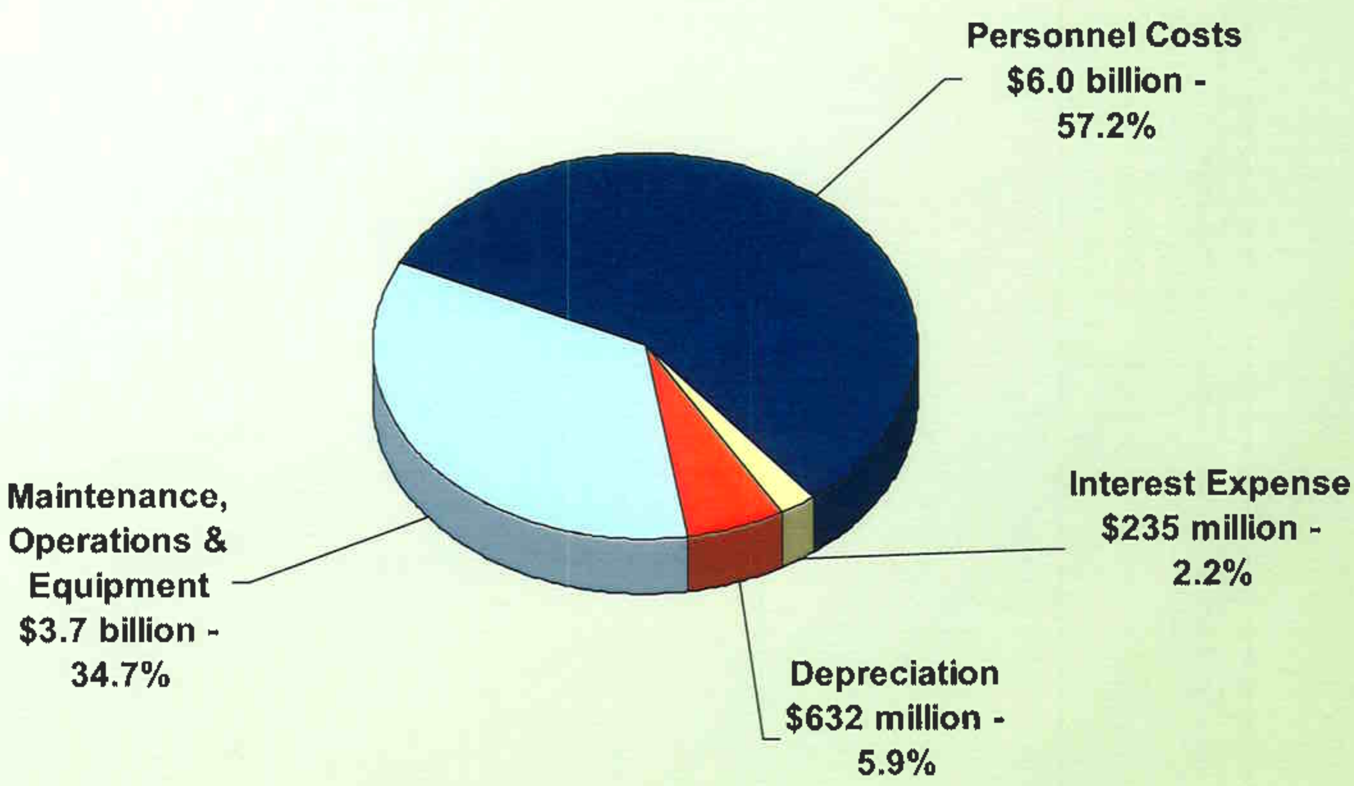
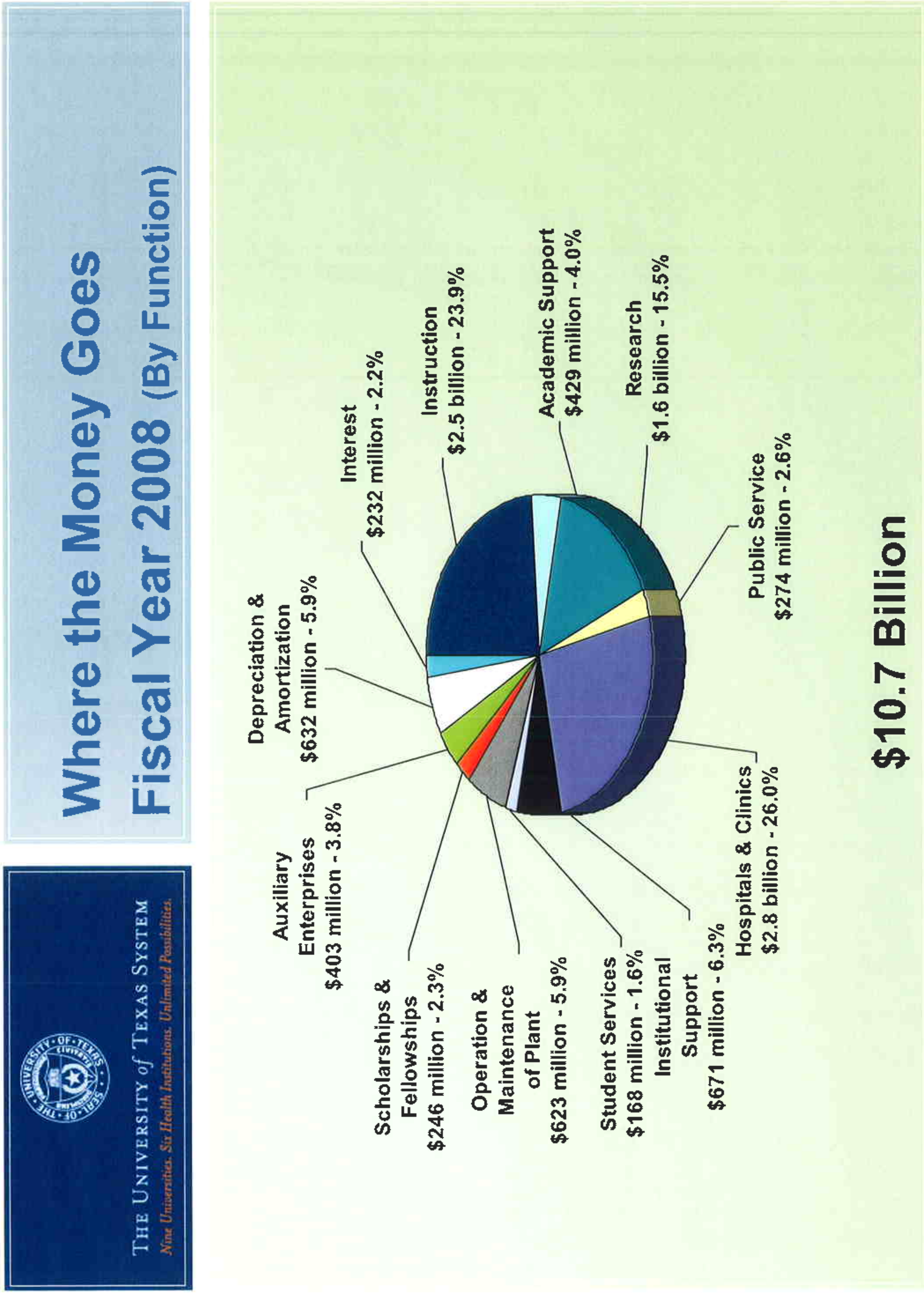
Where the Money Goes Fiscal Year 2008 (By Expense Type)



$10.7 Billion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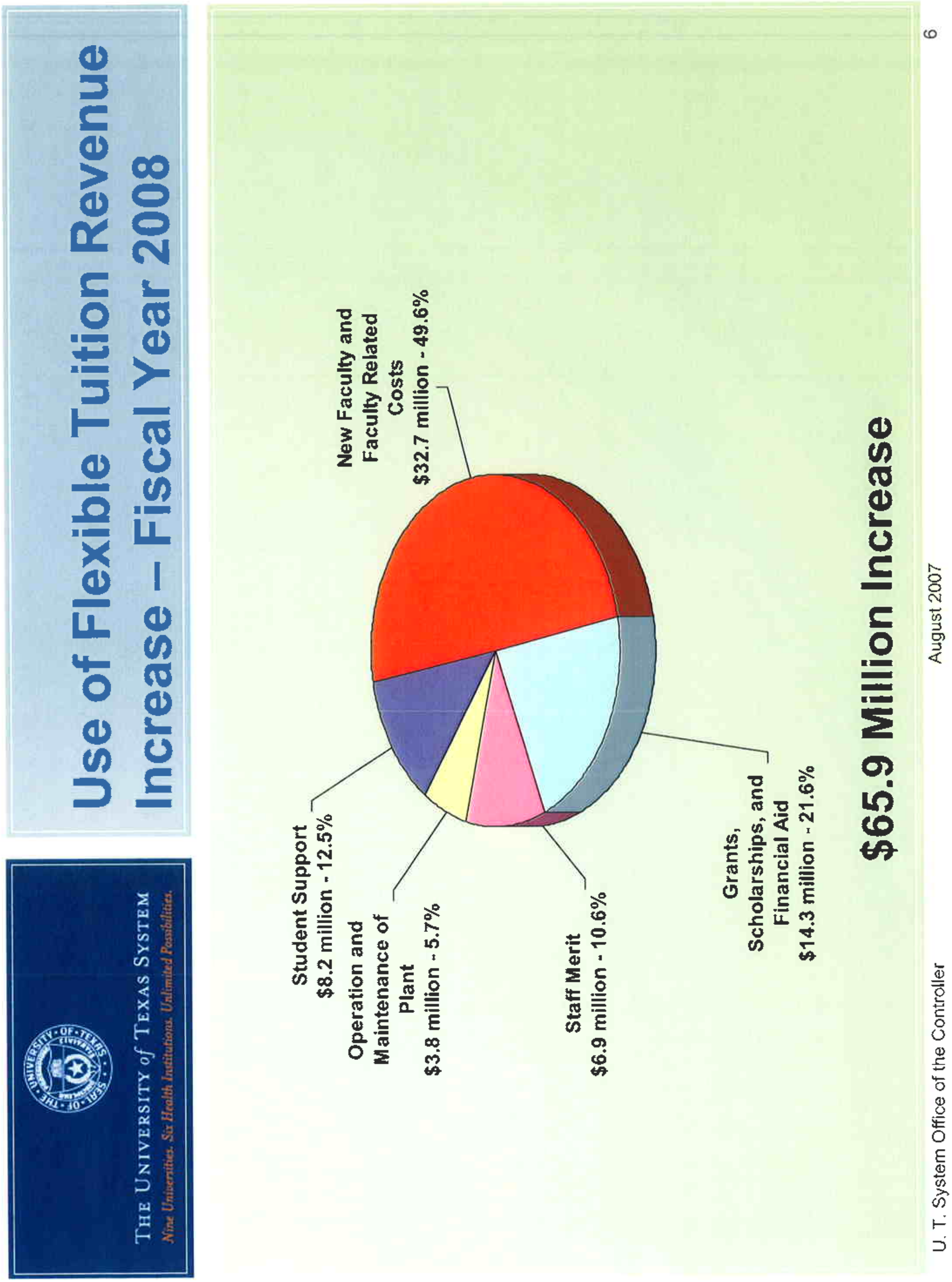
Where the Money Goes
Fiscal Year 2008 (By Function)
Depreciation & Amortization $632 million - 5.9%
Interest $232 million - 2.2%
Instruction $2.5 billion - 23.9%
Academic Support $429 million - 4.0%
Research $1.6 billion - 15.5%
Public Service $274 million - 2.6%
Hospitals & Clinics $2.8 billion - 26.0%
Institutional Support $671 million - 6.3%
Student Services $168 million - 1.6%
Operation & Maintenance of Plant $623 million - 5.9%
Scholarships & Fellowships $246 million - 2.3%
Auxiliary Enterprises $403 million - 3.8%
$10.7 Billion
U. T. System Office of the Controller
August 2007
5


Use of Flexible Tuition Revenue Increase – Fiscal Year 2008
THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.
New Faculty and Faculty Related Costs $32.7 million - 49.6%
Student Support $8.2 million - 12.5%
Operation and Maintenance of Plant $3.8 million - 5.7%
Staff Merit $6.9 million - 10.6%
Grants, Scholarships, and Financial Aid $14.3 million - 21.6%
$65.9 Million Increase
U. T. System Office of the Controller
August 2007
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Budgeted Expenses Academic Institutions (in millions)

	Fiscal Year 2007	Fiscal Year 2008	Dollar & Percent Change	
U. T. Arlington	$ 330.0	$ 366.0	$ 36.0	10.9%
U. T. Austin	1,759.5	1,851.8	92.3	5.2%
U. T. Brownsville	126.7	130.0	3.3	2.5%
U. T. Dallas	260.8	276.3	15.5	5.9%
U. T. El Paso	265.1	280.2	15.1	5.7%
U. T. Pan American	207.7	229.2	21.5	10.3%
U. T. Permian Basin	40.3	44.8	4.5	11.2%
U. T. San Antonio	334.5	377.6	43.1	12.9%
U. T. Tyler	66.1	74.9	8.8	13.4%
Total Academic	$3,390.7	$3,630.8	$240.1	7.1%

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Budgeted Expenses
Health Institutions (in millions)

	Fiscal Year 2007	Fiscal Year 2008	Dollar & Percent Increase	
U. T. Southwestern Dallas	$ 1,326.1	$ 1,411.9	$85.8	6.5%
U. T. MB Galveston	1,420.6	1,452.5	31.9	2.2%
U. T. HSC Houston	696.7	741.3	44.6	6.4%
U. T. HSC San Antonio	536.0	576.2	40.2	7.5%
U. T. MD Anderson	2,388.6	2,572.6	184.0	7.7%
U. T. Health Tyler	119.9	116.8	<3.1>	<2.5>%
Total Health	**$6,487.9**	**$6,871.3**	**$383.4**	**5.9%**

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Physician Practice Plans

Medical Services, Research and Development Plans (MSRDP)

Physicians Referral Service Plans (PRS)

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MSRDP & PRS

Historical Look at the "Plans"

- Included within the information presented on the Health Institutions are dollars generated from Physicians Charges for faculty participating in the MSRDP and PRS Plans.
- First plan was PRS created in the early 1960s at U. T. M. D. Anderson Cancer Center, other plans established in 1969.
- "Plans" have operated in approximately the same form since that time.
- Prior to creation of the Plans, faculty members allowed to bill for professional services and retain fees subject to maximum limit.
- Problems created by different earning capability among specialists.

U. T. System Office of the Controller   August 2007   10

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Plan General Information

As a result…….

- Funds held in Trust created by the Regents.
- Provides competitive salaries, attract and retain faculty, support the educational research, and patient care mission.
- Trusts consist of patient revenues and professional income collected on behalf of faculty physicians including Contractual Revenues.
- Physicians assign professional income to Plans as condition of employment.
- Income held in trust and expended in accordance with the Plans' bylaws.
- Bylaws require trust funds to benefit mission and purpose of institution.
- Uses include compensation, institutional development, support of academic programs and projects, professional liability insurance, incidental expenses related to faculty recruitment, endowment of chairs and professorships, and medical-related educational aids.

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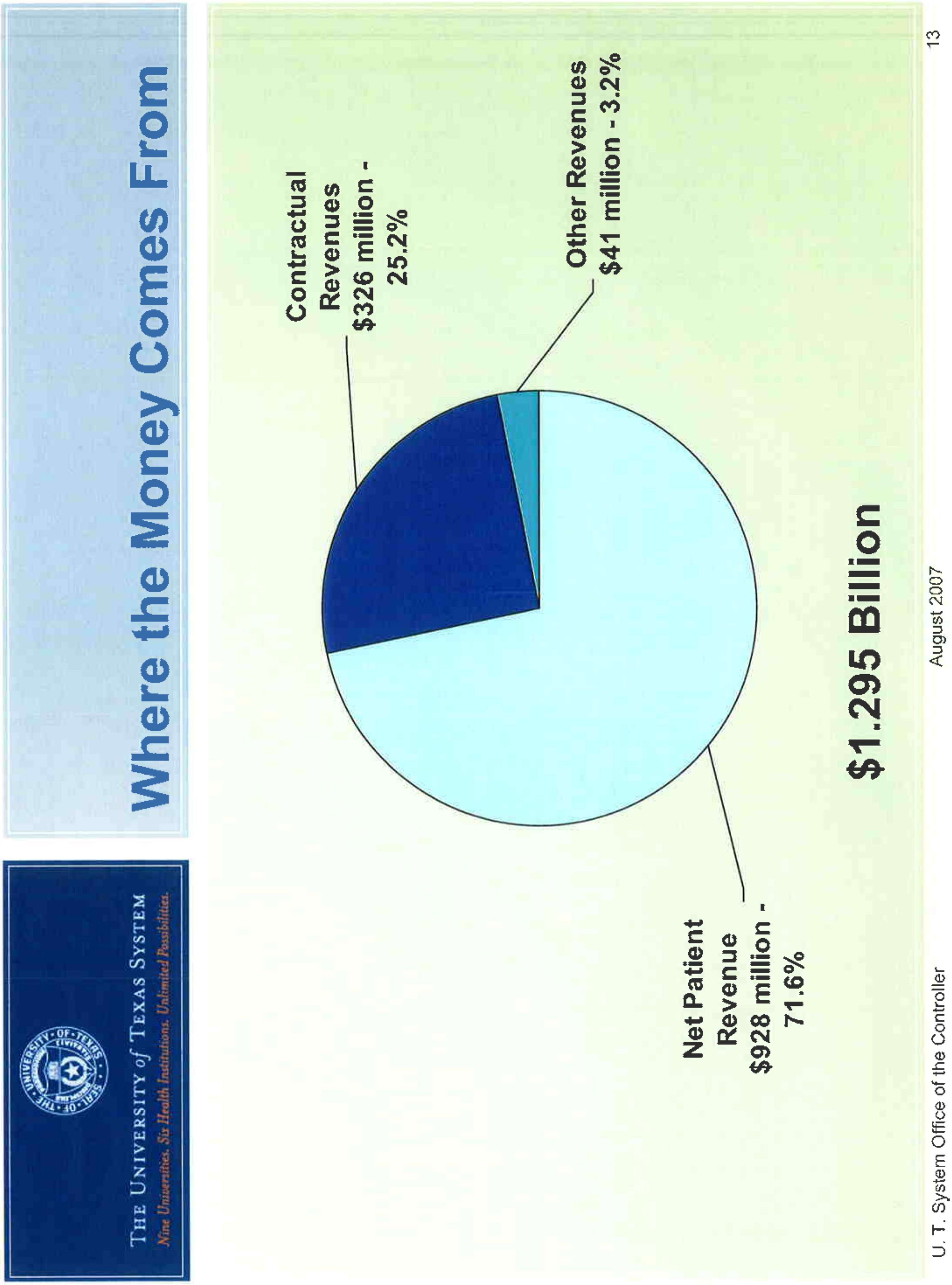
Plan Governance

- Governed by Boards of Directors with institutions' presidents serving as chairs.
- Standing committees
  - Budget and Finance
  - Compliance and Ethics
  - Professional Affairs
  - Audit
  - Chief Residents Advisory
- Boards of Directors adopt annual budgets following Board of Regents' guidelines.
- President at each institution holds ultimate authority over annual Plan budgets.
- Board of Regents approves substantive bylaw changes.
- Executive Vice Chancellor for Health Affairs approves nonsubstantive amendments.


Where the Money Comes From
THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.
Contractual Revenues $326 million - 25.2%
Other Revenues $41 million - 3.2%
Net Patient Revenue $928 million - 71.6%
$1.295 Billion
U. T. System Office of the Controller
August 2007
13

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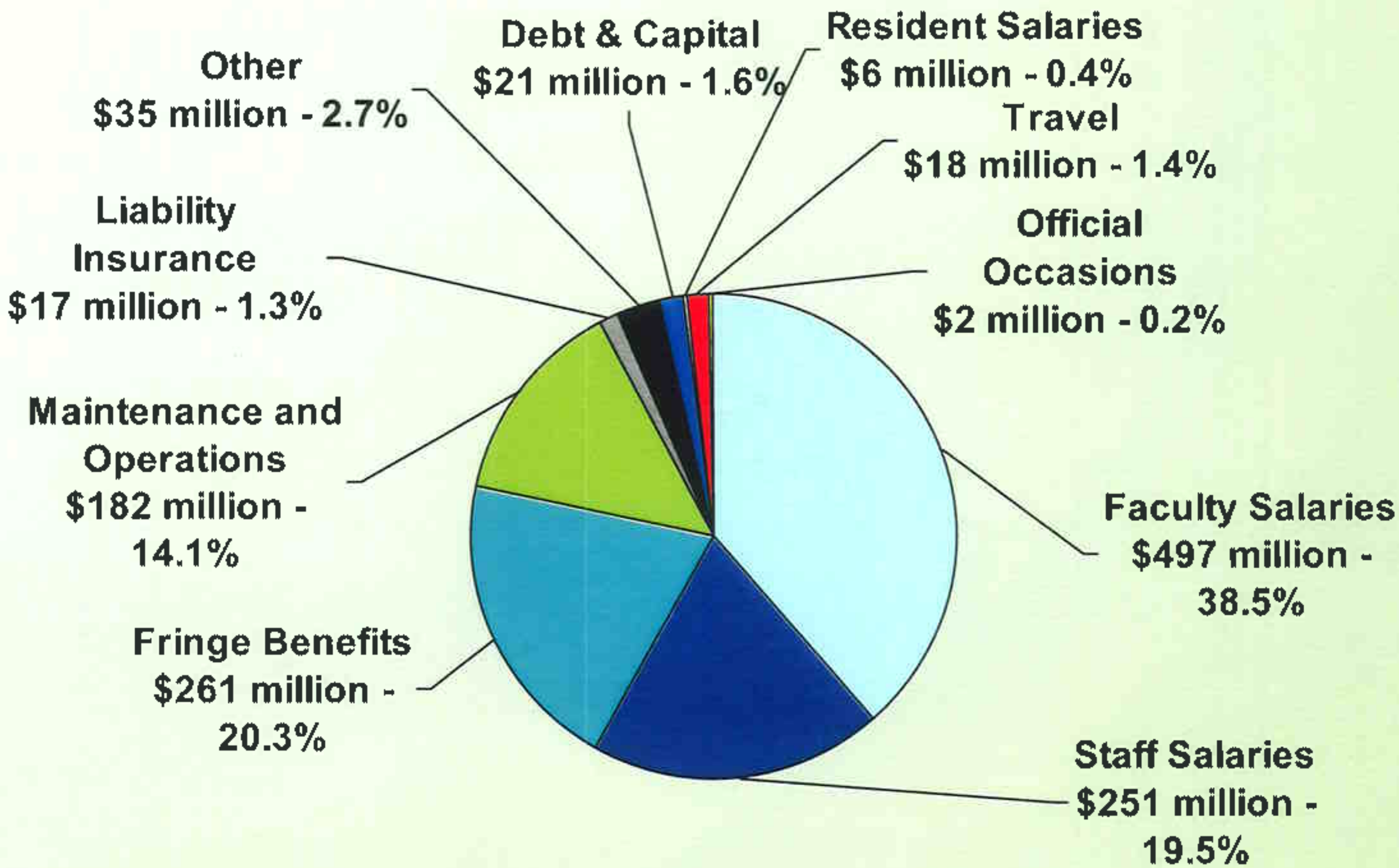
Where the Money Goes



$1.290 Billion

U. T. System Office of the Controller August 2007 14

THE UNIVERSITY of TEXAS SYSTEM

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The University of Texas System Administration

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System Administration Budget Highlights

System Administration - Fiscal Year 2008

- 792.0 Full-time Equivalents (FTEs) in FY 2008 for System Administration
- Of that total, 531.1 FTEs are in self-supporting departments that charge fees for support or receive external grants such as Office of Facilities Planning and Construction (OFPC), Office of Employee Benefits, and Workers' Compensation Insurance.
  - 80.6 of 792.0 are new positions made up of the following:
    - 49 OFPC supported by higher fees with promise of improved service
    - 7 Grant Funded
      Texas Reading First and Teacher Advancement Program
    - 10 Miscellaneous individual departments
    - 14 Special Initiatives – funding from Bond Termination Proceeds

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System Administration Budget Highlights *(continued)*

Recommendations for enhancing goals set forth in the U. T. System Strategic Plan funding from Termination Proceeds – $6.2 million received as of termination date

- Enhancing Student Success ($458,525)
  - UTeach start-up for campuses
  - Technology Literacy Proficiency
  - Student Learning Assessment
  - Director for Community College Initiative (1 FTE)
  - Expansion of Archer Center Program
- Expanding Global Initiatives ($170,000)
  - Globalization Initiative (1 FTE)
- Improving Health in Texas ($243,000)
  - Academic Health Programs (1 FTE)

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System Administration Budget Highlights *(continued)*

Termination Proceeds *(continued)*

- Improving Productivity and Efficiency ($468,858)
  - Academic Leadership Institute (2 FTEs)
  - Business Analyst (1 FTE)
  - Shared Services Project Coordinators (3 FTEs)
- Assuring Integrity, Accountability, and Public Trust ($1,432,000)
  - Development Leadership and Consulting Program (2 FTEs)
  - State of Tomorrow Continuation (3 FTEs)
  - Travel Safety
  - Risk Assessment Tool
  - Information Security Administrator (ISA) Training

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Summary
Termination Proceeds

SUMMARY - USES OF TERMINATION PROCEEDS	Budget 2008	Estimated 2009
Enhancing Student Services	$ 458,525	$ 130,000
Expanding Global Initiatives	$ 170,000	$ 170,000
Improving Health in Texas	$ 243,000	$ 243,000
Improving Productivity and Efficiency	$ 468,858	$ 408,858
Assuring Integrity, Accountability, and Public Trust	$1,432,000	$ 415,000
Subtotal	$2,772,383	$1,366,858
Estimated Benefits for New Staff	$ 329,965	$ 272,455
ISA Training return of funds funded at each institution	($ 120,500)	($ 362,500)
TOTAL	$2,981,848	$1,276,813

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General Administration Budget Highlights

General Administration – Fiscal Year 2008

- 260.9 FTEs, of which 12.5 are new positions, to meet strategic initiatives in support of academic institutions; to meet requests for services; Board of Regents' initiatives, and to provide financial oversight.

Academic Affairs (2)	Board Office (1)
Audit (4)	General Counsel (1)
Employee Services (1)	Real Estate (2.5)
Office of Support Services (1)	

- FY 2008 General Administration budget increased by \$2.2 million or 6.8% over FY 2007
- Merit salary increases, additional staff, and related benefits make up 88% of the overall budget increase

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System Administration Budget Fiscal Year 2008

	FTEs	General Administration
FY 2007 Original Budget	249.3	$32,919,089
FY 2007 FTE Adjustments	3.5	283,457
FY 2008 Merit Salary, New Staff, and Benefit Changes	12.5	2,110,125
UT TeleCampus Funding Source Changes	(2.4)	(199,313)
Other Funding Source Changes	(2.0)	(218,800)
Facilities – One Time Expense for Computer Aided Design		150,000
Other		117,919
Total Adjustments	11.6	2,243,388
Fiscal Year 2008 Budget	260.9	35,162,477
Increase over Fiscal Year 2007 Budget		6.81%


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Budgeted Expense Comparison
General Administration as a Percentage of the Total Operating Budget
Percent
0.45
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
0.423
0.370
0.331
0.327
0.329
0.330
2003
2004
2005
2006
2007
2008*
*Preliminary
U. T. System Office of the Controller
August 2007
22

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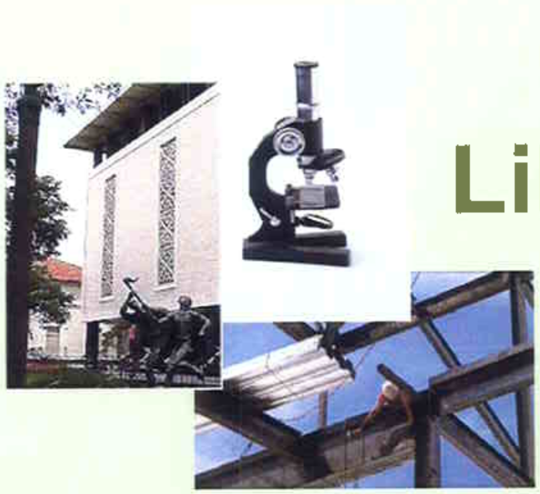

Library, Equipment, Repair and Rehabilitation

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Library, Equipment, Repair and Rehabilitation – Fiscal Year 2008

Academic		Health	
U. T. Arlington	$ 2,150,000	U. T. Southwestern Dallas	$ 1,900,000
U. T. Austin	3,642,000	U. T. MB Galveston	2,000,000
U. T. Dallas	2,225,000	U. T. HSC Houston	1,920,000
U. T. El Paso	2,305,000	U. T. HSC San Antonio	1,950,300
U. T. Permian Basin	879,000	U. T. MD Anderson	1,900,000
U. T. San Antonio	2,237,000	U. T. Health Center Tyler	2,000,000
U. T. Tyler	800,000		
Total	$ 14,238,000	Total	$ 11,670,300

Academic Library Collection	2,600,000	Collaboration Projects - Equipment	1,491,700

TOTAL LERR Funded Projects $30,000,000

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Library, Equipment, Repair and Rehabilitation – Fiscal Year 2008

System Strategic Initiatives	
North Texas Student Information System Pilot Project Supplement	3,500,000
Computer Security: Enterprise Compliance and Configuration Manager	4,083,000
Total	**$ 7,583,000**

TOTAL LERR FUNDING	$37,583,000

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Science and Technology Acquisition and Retention (STARs) Program

Faculty STARs

Fiscal Year 2008 Faculty STARs	
FY 08 Academic Faculty STARs Program	$20,000,000

Benefits of Faculty STARs

- Recruit and retain best faculty in the nation
- Develop and strengthen research capacity
- Pending and issued patents
- Encourage future research and excellence
- Collaboration with outside entities

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Historical Review of Awards

Historical Review	Academic	Health
FY 2005 approved by Board of Regents	$32,450,000	$26,550,000
Number of awards	38	14
Amount remaining	$0	$ 7,930,000
FY 2006 approved by Board of Regents	$15,000,000	-
Number of awards	18	-
Amount remaining	$0	-
FY 2007 approved by Board of Regents	$20,000,000	-
Number of awards to date	12	-
Amount remaining	$ 3,828,837	-

Chancellor's Recommendations
Initiatives Funded From Termination Proceeds

In May 2006, U. T. System executed basis swap agreements ("Basis Swaps") with Merrill Lynch Capital Services ("Merrill Lynch"), and Bank of America N.A. ("Bank of America"). These Basis Swaps were associated with the Board of Regents of The University of Texas System Revenue Financing System Bonds, Series 2006B ("Series 2006B Bonds") to lower the net cost of borrowing.

Pursuant to the terms of the Basis Swaps, the Board of Regents agreed to pay interest on a notional amount of $540.57 million at a variable rate equal to the Bond Market Association Municipal Swap Index. In consideration of receiving the payments from the U. T. System Board of Regents, Merrill Lynch and Bank of America agreed to pay interest on this amount at a variable rate equal to 67% of the five-year London Interbank Offered Rate plus a fixed spread of 22.1 basis points. The Merrill Lynch Basis Swap was for 60% of the notional amount and the Bank of America Basis Swap was for 40% of the notional amount. Due to favorable changes in market conditions, the System terminated both Basis Swaps on February 27, 2007, and received an aggregate termination payment of $5.25 million from Merrill Lynch and Bank of America.

Prior to terminating the swap, the U. T. System had received $965,000 bringing the total amount received to slightly over $6.2 million. These monies are now available for use by the Chancellor and the Board of Regents for strategic purposes, as deemed appropriate.

The recommendations that follow are presented for the Board's consideration for funding, within the FY 07-08 budget, certain initiatives towards enhancing U. T. System's position in accomplishing its goals as set forth in The University of Texas System Strategic Plan for 2006-2015. This portion of the budget would be funded specifically from the termination proceeds outlined above.

Enhancing Student Success
Total Amount: $458,525

Enhancing Student Success is at the forefront of the System's goals. This initiative is premised on the belief that student success is not only measured by certificates and degrees awarded, but also through college readiness among high school graduates; a demonstrable level of learning while in college; an improved pace of college completion; a larger fraction of graduates who pursue advanced degrees; and a well-established link between graduates and the job market. The following initiatives are specifically targeted toward these crucial areas.

UTeach Start-up for Other U. T. Institutions

Provide seed money for the Institute of Public School Initiatives for the development of UTeach start-ups at two additional U. T. institutions ($100,000 each). U. T. Austin's nationally recognized UTeach program is known as one of the most innovative and highly successful programs for training new K-12 science and math educators in the country. Through a unique collaboration between the College of Natural Sciences and College of Education, the UTeach program recruits mathematics and science majors into teaching and includes several key components: field teaching experience in the first year; research-based pedagogy courses with strong math and science content developed by faculty in both colleges; instruction and post-graduate support by former experienced master teachers; and summer internships relevant to teaching. Between Spring 2000 and Spring 2007, a total of 406 students have graduated from the UTeach program. Of the eighty-eight percent who entered teaching five and six years ago, over seventy percent are still teaching, with forty-five percent of those in schools where the majority of students are economically disadvantaged.

Due to its marked success, institutions from all over the country have expressed interest in replicating UTeach. To meet that demand, the UTeach Institute was created through a partnership with the Texas High School Project (THSP), and The National Math and Science Initiative (NMSI), a major new program designed to help America regain its global leadership position in technological. The UTeach Institute provides direction and assistance to institutions of higher education with the startup of UTeach programs, including budget assistance, guidance with the implementation of the UTeach *Elements of Success*, the UTeach courses, and evaluation and review services. Several U. T. institutions have applied for grants from NMSI and the THSP to replicate UTeach. It is anticipated that these U. T. UTeach start-ups will be self sufficient in a year.

Responsible Division: Institute for Public School Initiatives
Initiative Duration and Total Cost: 1 year / $200,000
FY 07-08 Amount: $200,000 *New FTEs: 0*

Technology Literacy Proficiency
Enhance scope of learning assessments through the introduction of a new tool, the iSkills™ assessment and expanding financial support of existing assessment tools. The iSkills™ assesses information, communication and technology (ICT) literacy proficiency and the ability to use digital technology, communication tools, and/or networks appropriately to solve information problems in order to function in an information society. The assessment involves a sampling of 100 junior-level students at each of the academic institutions. The cost to administer the iSkills™ assessment for 2007-08 total $18,000. Additionally, the cost to administer the Collegiate Learning Assessment and National Survey of Student Engagement (NSSE) for 2007-08 has increased by $15,525 over the $192,750 budgeted in 2006-07.

Responsible Division: Office of Academic Affairs
Initiative Duration and Total Cost: 1 year / $33,525
FY 07-08 Amount : $33,525 *New FTEs: 0*

Student Learning Assessment
Fund incentives to increase student participation in learning assessments. Currently the Student Learning Assessment, a major strategic initiative for the U. T. System, is funded at $90,000 ($10,000 per institution) which covers the costs of student incentives to encourage participation in the Collegiate Learning Assessment and NSSE. The request for an additional $45,000 ($5,000 per institution) will assist in increasing participation in the current assessment/survey, and allow additional incentives paid for student participation in a new assessment for FY08.

Responsible Division: Office of Academic Affairs
Initiative Duration and Total Cost: 1 year / $45,000
FY 07-08 Amount: $45,000 *New FTEs: 0*

Director for Community College Initiative
Create a new position, Director of University/Community College Collaborations, to enhance the productivity of the relationships each academic institution has with its community college partners to produce higher transfer rates, and to improve academic success among transfer enrollments at each institution. Evaluations of each institution's current transfer climate will be conducted, and specific goals, policies, and procedures will be designed and implemented to achieve the desired goals of the initiative. This amount includes funding for general office operations as well as the Director's salary.

Responsible Division: Office of Academic Affairs
Initiative Duration and Total Cost: 2 years / $260,000
FY 07-08 Amount: $130,000 *New FTE: 1*

Expansion of Archer Center Program
This initiative focuses on exploring the expansion and creation of a new approach to the Archer Center program, and develops a strategic framework for programmatic use of a potential U. T. System facility in DC. A small advisory group will be established, in collaboration with the LBJ School, to consider options, examples of similar centers, and to strategize on what a programmatic footprint might be and where the Archer Center fits. This initiative is pending final approval from the Chancellor following his review of a specific project framework.

Responsible Division: Office of Strategic Management
Initiative Duration and Total Cost: 1 year / $50,000
FY 07-08 Amount: $50,000 *New FTE: 0*

Expanding Global Initiatives
Total Amount: $170,000

With institutions of higher education playing a major role in the need for global competence, U. T. System has a compelling obligation to prepare students to be informed citizens, with exposure to global issues and the ability to operate globally. The U. T. System Strategic Plan articulates a new System-wide emphasis on globalization. In support of this globalization initiative, Chancellor Yudof has recommended the appointment of a task force to assist in developing a system-wide global initiative, including a survey of existing programs and recommendations for areas in which the System can add distinctive value to the institutions' individual global activities. Measurable outcomes include, but are not limited to: increased participation in study abroad; increased leverage of faculty internal activities; increased number of major, cross-institution international ventures; increased understanding and recognition of the U. T. System's "global footprint," and its impact on the state's economy and educational systems. A new position, Assistant Vice Chancellor for Global Initiatives, will be responsible for the development and implementation of this global strategy in collaboration with other System offices and campuses. This proposal includes funding for general office operations as well as the Assistant Vice Chancellor's salary.

Responsible Division: Office of Strategic Management
Initiative Duration and Total Cost: 2 years / $340,000
FY 07-08 Amount: $170,000 *New FTE: 1*

Improving Health in Texas
Total Amount: $243,000

The outstanding U. T. System health institutions continue their commitment to enhancing the health of Texas, the nation, and the world through research, education, and providing the highest quality health care and preventative services to their patients, and community service. In furtherance of this goal, the following initiative is offered.

Academic Health Programs
The Office of Health Affairs proposes the addition of a new position, The Executive Director for Academic Programs (EDAP), to reside in the U. T. System Administration Office of Health Affairs (OHA). Jack Stobo, M.D. has agreed to serve in this position, and will be responsible for initiating, facilitating, conducting, and evaluating programs which seek to improve the quality and the variety of Educational and Research Programs within the health institutions and to support the development of collaborations between health and academic campuses in pursuit of excellence in these areas. Primary responsibility will be for health science student educational programs. Dr. Stobo will lead a $5.0 million effort to bring about transformational change in health student education, within the U. T. System, in collaboration with the System-wide and Campus Academies of Education, and will be OHA's principal liaison with these academies. He will participate in the collection of information about efforts in global health, education, and research in the health institutions and will be the OHA leader in creating, initiating, facilitating, evaluating, and, in some cases, operating programs in the global health arena. These activities will be carried out with regular communications with the Office of Strategic Management which has responsibility for Global Initiatives. To the extent that his schedule permits, he will interact with the academic and health campuses and the U. T. System Office of Research and Technology Transfer to stimulate and facilitate research initiatives and collaborations on behalf of OHA. This position will report to the Executive Vice Chancellor for Health Affairs, and is proposed for 50% time beginning September 1, 2007. As Dr. Stobo will assume his role as a tenured member of the faculty at UTMB at this time, it is anticipated that he will primarily work from his office at UTMB and by visiting the various health and academic campuses. Office space will be provided for periodic visits to U. T. System, and OHA will provide appropriate administrative support.

Responsible Division: Office of Health Affairs
Initiative Duration and Total Cost: 2 years / $486,000
FY 07-08 Amount: $243,000 *New FTE: 1*

Improving productivity and efficiency
Total Amount: $468,858

Recognizing productivity as a function of both quality and efficiency, the Strategic Plan outlines the importance of U. T. System's success in implementing these objectives. Through the enhancement of revenue strategies, implementation of shared services, creation of efficiency strategies, and utilization of technology to enhance efficiency and productivity, U. T. System will be better positioned to meet these goals.

Projects Funded from $6.2 million Termination Proceeds

Academic Leadership Institute

Often talented academicians, clinicians, and scientists assume leadership roles in departments and colleges for which they have not been adequately prepared by experience or training. This initiative seeks to address this issue by offering leadership training, including targeting areas such as, but not limited to, budget analysis, law, human resources, compliance, strategic planning. Effective universities have effective leaders in the colleges and schools as well as in the central administration. It will be structured as an umbrella entity, under the leadership of Strategic Management, with a system oversight group, and sub-areas of focus to leverage resources for common topics, but also provide flexibility for modular programs customized to needs of academic or health affairs, or special professional development content needs. This proposal includes a new position of Director and administrative support staff. The Director's job responsibilities will entail leading and coordinating the needs assessment, marketing, and development and implementation of the institute's programmatic agenda. The establishment of this Institute will add value to existing leadership development efforts, to recruit and retain top talent, to enhance the cumulative impact and opportunities for synergy, alignment of messages, and achieve efficiencies. Salaries for the Director and administrative support staff, as well as general office functions are included in the request for FY 07-08.

Responsible Division: Office of Strategic Management
Initiative Duration and Total Cost: 2 years / $367,716
FY 07-08 Amount: $183,858 *New FTEs: 2*

Business Analyst for Institutional Studies and Policy Analysis

An experienced, technical facilitator with human resource and database experience is proposed to improve the quality of human resource data collected by U. T. System. This position's responsibilities will include meeting with internal constituents to determine the data needed for answering policy questions, and formulating and facilitating an on-going data provider/user group to work with representatives from the institutions within the System. Instructions, definitions and procedures will be developed to improve the consistency, accuracy and relevance of the data collected. This position will work with representatives from the U. T. System Office of Technology and Information Systems in the creation of a new database, utilizing existing human resources data to the degree possible to minimize institutional response burden.

Responsible Division: Office of Strategic Management
Initiative Duration and Total Cost: 1 year / $60,000
Amount: $60,000 *New FTE: 1*

Shared Services Project Coordinators

Projects being implemented under the Shared Services Initiative have already saved the institutions millions of dollars and enhanced process effectiveness. Consistent with the plan accepted by the Board of Regents in October 2006, the Shared Services Initiative included a small staff of U. T. System employees to provide project implementation and management support. This staff will move from project to project once each project is implemented and operational. Currently a project manager and administrative assistant are managing the joint Student Information System implementation in Arlington. Presently, with the addition of several more shared services projects (the Supply Chain Alliance in Houston, implementation of an online effort reporting system, Chart of Accounts consolidation, implementation of other joint administrative systems, etc.) it is necessary to increase the project management staff. This investment will allow for faster and more efficient implementation of shared services projects and will return multiples of this investment through increased institutional savings and process improvements.

Responsible Division: Office of Business Affairs
Initiative Duration and Total Cost: 2 years / $450,000
FY 07-08 Amount: $225,000 *New FTEs: 3*

Assuring Integrity, Accountability, and Public Trust
Total Amount: $1,432,000

Assuring the integrity, accountability (including compliance), and public trust is a key element of the Strategic Plan. The U. T. System is unique among its peers, as it demonstrates a responsibility to lead the debate on higher education policy issues, develop and share new value-added practices and models, and communicate its achievements and areas for continuous improvement in a high transparent way, always striving to improve the richness and reach of its messages in order keep stake holders better informed. The following initiatives are proposed in furtherance of that mission.

Development Leadership and Consulting Program
Through the Office of External Relations, the U. T. System proposes to create a new program, the first of its kind among any university system, to help U. T. institutions maximize their fundraising potential and integrate their fundraising activities into the strategic goals of the institution. The Development Leadership and Consulting Program (DLCP) will employ a senior level develop strategist, one who comes from a nationally regarded development consulting firm, to help U. T. institutions build or enhance their respective development operations infrastructures and to help develop the talents of all development professionals (fundraisers, endowment compliance officers, prospect researchers, planned giving professionals, etc). The DLCP will also offer professional training through an array of specialized workshops and exposure to best practices. The DLCP will develop customized continuous improvement plans for each campus and will create a program of value-added training opportunities available to all professionals ranging from entry level to senior officers.

This request includes funding for two new positions, as well as operational costs for two full academic years, and if successful, campuses will see the value of cost-sharing this program in subsequent years.

Responsible Division: Office of External Relations
Initiative Duration and Total Cost: 2 years / $670,000
FY 07-08 Amount: $335,000 *New FTEs: 2*

State of Tomorrow Continuation
As a second year of *State of Tomorrow* is considered, it will be impossible to dedicate full time External Relations personnel to this initiative in the same way that was required during its initial year. Five full time members of the External Relations team served in some capacity, often spending more than 75 percent of their time, over an eight month period, on production. The most difficult part of this production was the necessity to film on location at institutions throughout Texas, with extended periods of time away from the

office. The addition of four staff members dedicated to the continuation of the *State of Tomorrow* will enable production interns to be available on film locations, handle production and research requirements, and serve as liaisons between the production company, the sponsoring television station and the press. This proposal enables the current External Relations professional staff to focus more on their regular line duties but provide leadership support to *State of Tomorrow*.

Responsible Division: Office of External Relations
Initiative Duration and Total Cost: 1 year / $175,000
FY 067-08 Amount: $175,000 *New FTEs: 3*

Travel Safety
In alignment with the Board of Regents' directive, System Administration is more closely involved in tracking the System-wide methods for utilization and contracting of charter aircraft. To avoid potential safety and liability risks associated with private charter travel, we propose to engage an aviation consultant to develop a policy and RFP for system-wide charter services, to review charter contracts on an annual basis, and to assess the operations and safety of charter operators and carriers.

Responsible Division: Office of Administration
Initiative Duration and Total Cost: 2 years / $210,000
FY 07-08 Amount: $130,000 [$50,000 one time cost; $80,000 annual cost] *New FTE: 0*

Risk Assessment Tool
Deployment of this tool is part of a strategy to deploy a standard risk assessment process being implemented by System Administration's Chief Information Security Officer. The request includes $27,000 to purchase one year licenses for use of risk assessment software at each institution and System Administration. An additional other $40,000 is proposed for use to invest along with Texas A&M System, and perhaps Texas Tech, North Texas State, University of Houston, and Texas State Systems to further develop tools for utilization at all public institutions of higher education within the State of Texas. Using the tool, departments within U. T. institutions will self-report the level of risk related to State of Texas information security requirements and other regulations that may apply such as HIPAA, PCI, etc. (reports rollup to the institution and then to U. T. System). While this proposal is for a one-year obligation, it is anticipated that an ongoing cost of $27,000 for subsequent years would be assessed to the institutions in subsequent years.

Responsible Division: System Audit Office
Initiative Duration and Total Cost: 1 year / $67,000
FY 07-08 Amount: $67,000 *New FTE: 0*

Information Security Administrator Training
This request seeks upfront funding for training of departmental employees who write web applications and administer servers has been identified as high priority, as two of the highest areas of security incidents relate to poorly written web applications and poorly configured and patched servers. This proposal supports information security administrator training by funding the up-front cost to purchase security training for 1,000 departmental employees who write web applications and 1,000 departmental server administrators across the U. T. System. The System would recoup $483,000 of this amount through a chargeback based on a partnership with each trainee's department, the institution, and U .T. System

each paying one-third of the costs. The final cost to U. T. System will be approximately $242,000, which will accrue over the two year period the training is offered.

Responsible Division: System Audit Office
Initiative Duration and Total Cost: 1 year / $242,000 [difference is a result of chargeback]
FY 07-08 Amount: $725,000 *New FTE: 0*

Funding Proposal Recap for FY 07-08:

Request Total	$ 2,772,383
Estimated Benefit Amounts for New Staff Requests	329,965
Subtotal	$ 3,102,348
ISA Training return of funds for portion funded at each institution	- 120,500
Total	$ 2,981,848

Chancellor's Recommendations
Initiatives Funded From $6.2 million Termination Proceeds
Fiscal Year 2008 & 2009

Revised 8/12/07

Goal/Responsible Office	Project Description	Proposed Budget 2008	Estimated Budget 2009
Enhancing Student Success			
Institute Public School Initiatives	UTeach Start-up for Other U. T. Institutions	$ 200,000	$ -
Office of Academic Affairs	Technology Literacy Proficiency	33,525	-
Office of Academic Affairs	Student Learning Assessment	45,000	-
Office of Academic Affairs	Director for Community College Initiatives	130,000	130,000
Office of Strategic Management	Expansion of Archer Center Program	50,000	-
Expanding Global Initiatives			
Office of Strategic Management	Assistant Vice Chancellor - Global Initiatives & funding for general office operations	170,000	170,000
Improving Health in Texas			
Office of Health Affairs	Executive Director for Academic Programs - Curriculum Revision in Med. Schools	225,000	225,000
	Travel for new Executive Director	18,000	18,000
Improving Productivity and Efficiency			
Strategic Management	Academic Leadership Institute - Director and administrative support staff	183,858	183,858
Strategic Management	Business Analyst for Institutional and Policy Analysis	60,000	-
Office of Business Affairs	Shared Services Project Coordinators	225,000	225,000
Assuring Integrity, Accountability, and Pubic Trust			
	Development Leadership and Consulting Program	335,000	335,000
	State of Tomorrow Continuation (all salary except - $5,000 travel)	175,000	-
	Travel Safety	130,000	80,000
	Risk Assessment Tool	67,000	-
	Information Security Administrator Training (ISA) /1	725,000	-
	Total	$ 2,772,383	$ 1,366,858
	Estimated Benefits on New Staff	329,965	272,455
	/1 ISA Training return of funds for the portion funded at each institution	$ (120,500)	$ (362,500)
		$ 2,981,848	$ 1,276,813
	Total Two Year Commitment		$ 4,258,661

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit

Proposed Plan: Audit of the 2007 U.T. System Consolidated Financial Statements

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U.T. System Audit Office
August 22, 2007

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2007 Financial Audit Plan

- History of financial audits in the U.T. System
- Importance of financial audits
- Objectives and approach for 2007

2

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit Plan

- History of the U.T. System Financial Audits
  - State Auditor's Office
  - Deloitte & Touche, LLP (Deloitte)
  - Internal Audit

3

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2007 Financial Audit Plan: History

- State Auditor's Office
  - Until 1989, the SAO audited and provided an opinion on each of the UT System institution's financial statements
  - After 1989, the SAO ceased auditing individual institutions and provided an opinion only on the State of Texas Combined Annual Financial Report
  - No external financial statement audit requirements exist except for the audit of the Permanent University Fund

4

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit Plan: History (cont.)

- State Auditor's Office
  - SAO performs audit procedures on a few, select balances at four or five U.T. System institutions annually in support of the Statewide audit
  - Materiality for determining errors is based on statewide balances and is very high
  - The U.T. System receives no assurances regarding the reasonableness of the U.T. System financial statements from the SAO

5

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2007 Financial Audit Plan: History (cont.)

- State Auditor's Office
  - The SAO oversees the "reviews" of institutions requiring individual "review reports" for accreditation purposes every ten years.
  - "Reviews" consist of inquiry and analytics and are less in scope than audits
  - Five U.T. System institutions will receive review reports in 2007: Austin, Brownsville, Dallas, Medical Branch, Health Science Center-San Antonio
  - SAO approval must be obtained for any external auditor hiring by any U.T. institution for any purpose

6

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit Plan: History (cont.)

- Deloitte
  - In 2003, the Board of Regents adopted the Spirit of Sarbanes-Oxley and subsequently hired Deloitte to perform the first-ever audit of the System-wide financial statements for 2005
  - Individual institutions did not receive separate opinions and materiality was established at the System level
  - Deloitte's contract was renewed for 2006
  - The U.T. System received unqualified opinions

7

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2007 Financial Audit Plan: History (cont.)

- Deloitte
  - In 2007, the Board elected not to renew the System-wide contract for that year
    - Findings were not deemed significant
    - UTIMCO Funds and U.T. M. D. Anderson receive external audits annually and represent the majority of U.T. System net assets
    - Funds paid to external auditors could be used for other projects
    - Internal audit resources were significant and could be utilized for executing the financial audits

8

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit Plan: History (cont.)

- Deloitte
  - The Board voted to engage Deloitte to audit the funds managed by UTIMCO in 2007
    - Permanent University Fund required by Texas Constitution to be audited
    - Other funds externally audited since UTIMCO became a separate legal entity

9

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2007 Financial Audit Plan: History (cont.)

- Deloitte
  - U.T. M. D. Anderson's audit committee engages Deloitte annually to audit its financial statements and will do so again in 2007
  - The external audits of U.T. M. D. Anderson began several years ago when an audit was required for accreditation
  - Deloitte performed "review" procedures and provided "review reports" for U.T. Pan American, Brownsville and Arlington in 2006

10

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

2007 Financial Audit Plan: History (cont.)

- U.T. System Internal Audit
  - After 1989, internal auditors within U.T. System performed certain financial audit procedures at their respective institutions
  - In 2005 and 2006, internal audit supported the Deloitte System-wide audits by providing staff to Deloitte and overseeing audits at the smaller institutions
  - In 2007, internal audit will lead the effort to audit the financial statements at each institution except U.T. M. D. Anderson and UTIMCO

11

The University of Texas System
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2007 Financial Audit Plan

- Importance of Financial Audits

12

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit: Importance

- Ensuring *reliability* and *integrity* of information reported to stakeholders is <u>fundamental</u>
  - *Transparency* and *accountability* are cornerstones of governmental organizations
  - *Decisions* are made by *stakeholders* based on the *accuracy* of the information

13

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2007 Financial Audit: Importance (cont.)

- Who *relies* on our financial information?
  - U.T. System Board of Regents
  - Management
  - Employees
  - Institutional accreditation organizations
  - Donors: existing and prospective
  - Foundations
  - Legislators

14

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit: Importance (cont.)

- Federal agencies
- State agencies
- Bond rating agencies
- Taxpayers
- Parents
- Students
- Patients
- Public

15

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2007 Financial Audit: Importance (cont.)

- How will we ensure the *reliability* and *integrity* of financial reporting to our stakeholders?
  - External audits of UTIMCO funds
  - External audit of U.T. M. D. Anderson
  - State Auditors procedures on certain balances
  - State Auditor oversight of SACS-reporting institutions
  - Internal audits of key financial information as determined on an institution-by-institution basis
  - Follow-up on prior year auditor findings and recommendations

16

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit Plan

- Objectives and Approach

17

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2007 Financial Audit: Objectives and Approach

- What are our objectives for internal audit-led institutions?
  - Perform *risk-based* audits of financial information reported at each institution, System Administration, and System Consolidated for 2007
  - Report findings via internal audit reports with a summary to the ACMR.

18

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit: Objectives and Approach (cont.)

- How will we accomplish these objectives?
  - *Coordination* between internal audit and accounting through written audit plan.
  - Identification and *testing of key controls* to ensure the authorization of transactions, completeness and accuracy of recording, and adequacy of segregation of duties to prevent fraud.
  - Testing of *higher-risk income statement* items such as patient revenue, tuition, and external transfers.
  - Performance of *analytics* at year-end to ensure reasonableness of numbers.

19

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2007 Financial Audit: Objectives and Approach (cont.)

- How will this approach be different from the one used by Deloitte in prior years?

20

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit: Objectives and Approach (cont.)

- Deloitte
  - System-wide materiality
  - Overall opinion which required testing of large balances, regardless of risk
  - No controls reliance, just substantive testing
  - New staff with little knowledge of institution
- Internal Audit
  - Materiality determined at each institution
  - No overall opinion, permits audits to be tailored to risk; focus on process enhancement
  - Controls reliance – will permit rotation of testing in the future
  - Seasoned auditors with extensive knowledge of institution

21

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2007 Financial Audit Plan

- Conclusion

22

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

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2007 Financial Audit Plan: Conclusion

- Historical events have resulted in an internal audit-led financial audit plan for all institutions except U.T. M. D. Anderson and UTIMCO funds for 2007
- Reliable financial reporting is important to the U.T. System to ensure *transparency* and *accountability* to our *stakeholders*
- Our internal audit-led approach will help ensure the *integrity* and *reliability* of financial reporting

23

The University of Texas System

Proposed Plan for the Audit of Consolidated Financial Statements for 2007

August 22, 2007

August 22, 2007

Audit, Compliance, and Management Review Committee
Board of Regents
The University of Texas System

Dear Members:

Enclosed is a copy of our proposed plan for the audit of the Consolidated Financial Statements (CFS) of The University of Texas (UT) System, as of, and for the year ending August 31, 2007. The focus of our work will be on high-risk areas as determined by the System Audit Office and institutional internal audit directors, with input from management. The objectives of the audit are as follows:

1. Perform a risk-based audit of financial information composing the Annual Financial Report (AFR) at each institution, System Administration, and The University of Texas Investment Management Company (UTIMCO).
2. Identify and test key controls over financial reporting including Information Technology (IT) controls and the certification process required by UT System policy.
3. Review the consolidation of institutional financial information to ensure appropriate reporting to the State by agreeing institutional information to audit information and reviewing eliminating entries for reasonableness and consistency with the prior year.
4. Coordinate with other auditors to understand the impact of any audit adjustments to the UT System CFS.
5. Report results of audit procedures to institutions via standard internal audit reports and to the Audit, Compliance and Management Review (ACMR) Committee of the UT System Board of Regents. Reports will be issued under Institute of Internal Audit Standards and Government Auditing Standards.

These procedures are less than those required of a financial audit under Generally Accepted Auditing Standards (GAAS); therefore, an opinion will not be expressed on the overall or institutional financial reports as to whether they are in accordance with GAAP. We will express an opinion on the outcome of the risk-based procedures we perform.

We look forward to discussing the plans with you. If you have any questions, do not hesitate to call me at (512) 499-4542 or Amy Barrett at (512) 499-4535.

Sincerely,

Charles G. Chaffin
Director of Audits

The University of Texas System
Audit of Consolidated Financial Statements for 2007
August 22, 2007

Contents

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

Timeline

Milestone	**Due Date**
Planning meetings held with State Auditors, Deloitte, System Finance staff, and System Audit staff	June 1
Planning document presented to System Administration Internal Audit Committee	June 7
Planning document presented to institutional audit directors; training opportunities will be identified	June 15
Oral presentations made to UTIMCO external auditor selection team	June 18
Approval of external auditors by SAO received	July 11
Institutional financial audit plans, Prepared by Client (PBC) requests,* proposed materiality thresholds, and prior workpapers needed from Deloitte due to UT System Audit Office	July 11
Audit planning meetings held at each institution	July 30
Plan presentation made to BMC	August 15
Plan presentation made to ACMR	August 22
Coordination with Deloitte on access to prior year workpapers complete; prior year workpapers reviewed.	August 22
Interim fieldwork begins	August 23
SACS review programs received from SAO	August 30
Interim fieldwork results reported to UT System	September 30
Institutional AFRs submitted to UT System	October 5
Year-end fieldwork begins	October 8
Institutional fieldwork ends; results reported to UT System	October 26
Systemwide audit adjustments proposed and made	November 1
Consolidation fieldwork ends	November 15
Consolidated AFR submitted to State without MD&A	November 20
Preliminary audit results reported to ACMR	December 6/7
Institutional internal audit reports due to System Audit Office	January 2
SACS reports due to SACS	Various
Final report provided to ACMR	February 7

*PBC requests at interim are expected to be limited.

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

Coordination: Client Service Team, Finance Liaisons, Other Auditors

Institution	System Audit Office	Designated Audit Liaisons	Designated Finance Liaisons	External Auditors
Overall	Charlie Chaffin, Amy Barrett		Randy Wallace, Sandra Neidhart	SAO Financial – Michelle Feller; Deloitte – Rodney Lenfant
IT	Paige Buechley Yimei Zhao	Anne Heitke		
System Administration	Moshmee Kalamkar Yimei Zhao Catalina Padilla Diane Aranda		Dana Malone, Debbie Frederick	
UTIMCO	Amy Barrett Catalina Padilla Julie Anderson		Joan Moeller, Gary Hill	Deloitte & Touche
MD Anderson	Amy Barrett	Mike Peppers	Mike Keneker	Deloitte & Touche
Southwestern	Eric Polonski	Bob Rubel	George Kokoruda, Greg Price	
Medical Branch	Dean Metzger	Kimberly Hagara	Craig Ott	SAO (SACS)
Houston	Paige Buechley	Lois Pierson	Mike Tramonte	
HSC-SA	Amy Barrett	Diane Salvadore	Andrea Marks	SAO (SACS)
HC-Tyler	Chuck Lyon Kenton Odom	Gail Lewis	Annie Freeman, Vernon Moore	
Austin	Amy Barrett	Mike Vandervort, Kelton Green	Fred Friedrich, Amy Barnard Robin McPherson	SAO (SACS)
Dallas	Dean Metzger	Toni Messer	Wanda Mizutowicz	SAO (SACS)
Arlington	Dean Metzger	Ken Schroeder, Dana Nuber	Linda Criswell, Janet Nascimbeni	
Tyler	Chuck Lyon	Kathy Kapka	Carrie Clayton	
Permian Basin	Eric Polonski Miles Ragland Gan Louie	Norita Holmes	Alex Castillo, Christopher Forrest	
UTEP	Paige Buechley	Bill Peters	Anthony Turrietta, Carlos Hernandez	
San Antonio	Amy Barrett	Dick Dawson	Janet Parker, Lenora Chapman, Ana Longeria	
Pan Am	Eric Polonski	Mike Chrissinger	Zeke Granado, Karla Barragan	
Brownsville	Paige Buechley	Norma Ramos	Yolanda de la Riva	SAO (SACS)

Approach: Objectives, Scope, Risk Assessment

Objectives:

1. Perform a risk-based audit of financial information composing the Annual Financial Report (AFR) at each institution, System Administration, and The University of Texas Investment Management Company (UTIMCO).
2. Identify and test key controls over financial reporting including Information Technology (IT) controls and the certification process required by UT System policy.
3. Review the consolidation of institutional financial information to ensure appropriate reporting to the State by agreeing institutional information to audit information and reviewing eliminating entries for reasonableness and consistency with the prior year.
4. Coordinate with other auditors to understand the impact of any audit adjustments to the UT System Consolidated Financial Statements (CFS).
5. Report results of audit procedures to institutions via standard internal audit reports and to the Audit, Compliance and Management Review (ACMR) Committee of the UT System Board of Regents. Reports will be issued under Institute of Internal Audit Standards and Government Auditing Standards.

These procedures are less than those required of a financial audit under Generally Accepted Auditing Standards (GAAS); therefore, an opinion will not be expressed on the overall or institutional financial reports as to whether they are in accordance with GAAP. We will express an opinion on the outcome of the risk-based procedures we perform.

Scope:

1. Year ended: August 31, 2007
2. Period September 1, 2006 – August 31, 2007
3. Institutions and System Administration:
    a. Balance Sheet; Revenues, Expenses and Changes in Net Assets; Cash Flows
    b. Footnotes disclosures submitted to System for consolidation
    c. SACS financial reports, if applicable
4. System: MD&A, financial statements and footnotes in CFS

Risk Assessment and Overall Approach:
The focus of our work will be on high-risk areas as determined by the System Audit Office and institutional internal audit directors, with input from management. Interim work will include testing of key internal controls, identification and testing of fraud risks, and testing of income statement items on a sample basis. Year-end fieldwork procedures will include tie-outs of financial statement to supporting documentation, analytics to ensure reasonableness of presentation, and review of consolidation to ensure consistent reporting to the State. Unusual entries, cutoff procedures and compliance with certification process will also be tested at year-end. Materiality for reporting errors to UT System will be determined by the responsible reporting auditor at each institution, with input from the System Audit Office.

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

Approach: By Institution

Institution	Approach
System consolidation	System Audit Office will compare the consolidation with the prior year to ensure consistency and compare the financial information in the consolidation with the financial information audited by institution to ensure agreement. System Audit Office will tie out the CFS to supporting documentation and read Management's Discussion and Analysis (MD&A) and footnotes to ensure they appear complete and reasonable when compared with audited financial statements.
System Administration	System Audit Office will perform analytical review procedures of the AFR and audit procedures in the areas of cash management, real estate and PUF lands valuations, bonds payable, and self-insurance liabilities. Internal audit will perform testing of key controls, including general computer controls. Other areas may be added to the procedures once the audit program has been finalized.
UTIMCO	An external auditor will be chosen to perform an audit and issue an opinion on the funds managed by UTIMCO. The System Audit Office will provide one staff to assist with the audit.
MD Anderson	Deloitte & Touche will perform an audit and issue an opinion on the financial statements and footnotes of MD Anderson. Institutional internal audit will monitor progress and facilitate reporting to the institutional internal audit committee and the System Audit Office.
Southwestern	Internal audit will perform analytical procedures and testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
Medical Branch	The State Auditor's Office will lead internal audit staff in the performance of a review and will issue a review report on the financial statements and footnotes of the institution. A review is less than an audit and means that only inquiry and analytics were performed. No testing is performed to substantiate inquiries. Institutional internal audit will supplement review procedures with testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
Houston	Internal audit will perform analytical procedures and testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
HSC-SA	The State Auditor's Office will lead internal audit staff in the performance of a review and will issue a review report on the financial statements and footnotes of the institution. A review is less than an audit and means that only inquiry and analytics were performed. No testing is performed to substantiate inquiries. Institutional internal audit will supplement review procedures with testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
HC-Tyler	Internal audit will perform analytical procedures and testing of high risk

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

	revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls. The System Audit Office will provide staffing to supplement staffing at the institution. Internal audit will perform testing of key controls, including general computer controls.
Austin	The State Auditor's Office will lead internal audit staff in the performance of a review and will issue a review report on the financial statements and footnotes of the institution. A review is less than an audit and means that only inquiry and analytics were performed. No testing is performed to substantiate inquiries. Institutional internal audit will supplement review procedures with testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
Dallas	The State Auditor's Office will lead internal audit staff in the performance of a review and will issue a review report on the financial statements and footnotes of the institution. A review is less than an audit and means that only inquiry and analytics were performed. No testing is performed to substantiate inquiries. Institutional internal audit will supplement review procedures with testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
Arlington	Internal audit will perform analytical procedures and testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
Tyler	Internal audit will perform analytical procedures and testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
Permian Basin	Internal audit will perform analytical procedures and testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls. The System Audit Office will provide staffing to supplement staffing at the institution.
UTEP	Internal audit will perform analytical procedures and testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
San Antonio	Internal audit will perform analytical procedures and testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
Pan Am	Internal audit will perform analytical procedures and testing of high risk revenue and expense transactions. Internal audit will perform testing of key controls, including general computer controls.
Brownsville	The State Auditor's Office will lead internal audit staff in the performance of a review and will issue a review report on the financial statements and footnotes of the institution. A review is less than an audit and means that only inquiry and analytics were performed. No testing is performed to substantiate inquiries. Institutional internal audit will supplement review procedures with testing of high risk revenue and expense transactions.

1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit (cont.)

Approach: Planning

Area	Group	Status
Coordination	Executive management at UT System	Met with Chancellor, Health Affairs, Business Office, and Controllers Office to get input into plan.
	Audit Directors	Formal communication occurred in Internal Audit Committee meeting on June 15.
	State Auditors	Met with SAO. Their areas of focus at UT for the State Consolidated Annual Financial Report include noncurrent restricted investments, other capital assets – depreciable, accumulated depreciation, hospital revenue – pledged, payments to suppliers for goods and services, and payments to employees. They may also perform testing on restricted net assets and proceeds from the sale and acquisition of investments. They expect to perform testing at Austin, Southwestern, System, UTIMCO, UTMB and MD Anderson. We are coordinating our efforts, especially at those institutions where external audits are being performed.
	Deloitte	Discussed coordination of workpapers.
	UTIMCO Auditors	External auditors were selected.
	Austin DEFINE audit	Met with UT Austin staff to begin planning IT audits of DEFINE institutions.
Communication	Audit Committee, System Administration	Presented audit plan on June 7.
	BMC	Presented plan on August 15.
	ACMR	Presentation will be made at August meeting.
	Audit Directors	Presentation occurred for June 15.
	Finance Liaisons	Institutional internal audit will coordinate with respective DFL's by July 30.
	Ongoing	Communication between UT System and each institution during fieldwork will occur on an institution by institution basis.
Preparation	Training	The System Audit Office will identified financial training opportunities by June 22.
	Audit Programs and Prepared by Client Requests	Audit programs were prepared by audit directors and submitted to the System Audit Office for review on July 11.

Interim Procedures

Controls

1. Update/complete fraud risk assessment and identify key controls to mitigate fraud.
2. Identify and test key controls supporting high risk areas.
3. Test general computer controls, including system security.
4. Obtain understanding of certification process at institutions and compare with UTS policy. Make recommendations for enhancement at year-end, if needed.

Tests: Perform testing of revenue, expenses, and transfers on a sample basis in the following areas:

1. Revenue
   a. Student tuition and fees
   b. Patient services revenue
   c. Professional fees
   d. Auxiliary enterprises
   e. Appropriations
   f. Contributions
2. Expenses
   a. Salaries, wages, payroll
   b. Professional fees and services
   c. M&O
   d. Scholarships
3. Transfers
   a. Between institutions
   b. Between other agencies

Year-End Fieldwork

1. Analytics
    a. Balance sheet and income statement fluctuation analysis
    b. Tuition reasonableness
    c. Functional expenses reasonableness
    d. Recalculation of cash flows
2. Statement tie-out to general ledger
3. Testing
    a. Unusual journal vouchers
    b. Cash reconciliations
    c. Certification process
4. Revenue - review process for accruing for receivables, discounts and allowances:
    a. Student tuition
    b. Patient services
    c. Professional fees
    d. Auxiliary enterprises
    e. Contributions
5. Expenses - review cutoff procedures and estimation of accruals:
    a. Salaries, wages, payroll
    b. Professional fees and services
    c. Maintenance and operating
    d. Scholarships
6. System Administration
    a. Cash management
    b. Debt
    c. Self-insurance/Incurred But Not Reported liabilities
    d. Real estate and Permanent University Fund lands valuations
7. System-wide
    a. Consolidation (institutions and UTIMCO)
    b. Financial statements
    c. Footnote disclosures
    d. Management Discussion and Analysis (when available)

Reporting

Report on results of the audits:

1. Institutions – Each internal audit department (or external auditor) will issue a report including the results of the testing performed and unadjusted differences.
2. UT System – The System Audit Office will issue one report for System Administration and one report for System Consolidated.
3. ACMR – The System Audit Office will report significant unadjusted differences and management letter recommendations.

Recent Developments of the Government Auditing Standards Board

New Pronouncements

- Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, effective for governments with revenues of $100 million or more for periods beginning after December 15, 2006, those between $10 million and $100 million, after December 15, 2007, and all others, after December 15, 2008. This statement requires measurement and reporting of post-retirement benefits such as post-retirement health and life insurance benefits to be measured and reported similar to pension benefits. Benefits will be measured on an actuarially-accrued basis and will no longer be measured on a "pay-as-you-go" basis. Governments are expected to accrue significant liabilities as a result of implementing this standard.
- Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for periods beginning after December 15, 2007. This statement requires organizations to accrue for pollution remediation obligations (defined as obligations to address the current or potential effects of *existing* pollution) once obligating events (such as requirement by a government to take action because of imminent danger), as defined in the statement, have occurred. The statement excludes accruals for prevention activities or activities required for retirement of an asset (as is required for colleges reporting under FASB).

White Paper

- *Why Governmental Accounting and Financial Reporting Is – And Should Be – Different*. This white paper addresses the question of why governmental organizations should not apply the same accounting standards as for-profit businesses. It states that the needs of the readers of government financial statements is different from the needs of shareholders in that readers need to know that their often involuntary resources (think taxes) are providing value, that there are sufficient current resources to meet current needs and that the government's ability to provide services is improving over the year.

Exposure Drafts

- *Fair Value Accounting for Real Estate Investments*. APC would like to see consistency in reporting of real estate held by institutions as part of an endowment portfolio. Current practice for reporting these types of investments appears mixed between reporting them at book value and fair value. NACUBO is compiling a survey of its members to determine current accounting treatment.
- *Accounting and Financial Reporting for Intangible Assets*, provides guidance as to when intangible assets such as internally-developed software, timber and water rights, patents and trademarks should be accounted for and reported in the financial statements. The ED also specifies the useful life of intangible assets. The expected effective date is for periods beginning after June 15, 2009.
- *Elements of Financial Statements*. The GASB is taking a step back in time to formalize key elements included in financial statements similar to concept statements issued by the FASB. Interestingly, new financial reporting concepts

are introduced, such as “deferred outflows and inflows of resources,” which would be considered new elements of the balance sheet in addition to assets, liabilities, and equity.

- *Pension Disclosures*, requires disclosures for pension plans that would be similar to those required for other post-employment benefits per Statement No. 45. The expected effective date is for years beginning after June 15, 2007.
- *Accounting and Financial Reporting for Derivatives*, will require fair value reporting of derivatives in the financial statements and disclosure of the objectives, terms and risks of those derivatives. The statement will allow for hedge accounting treatment similar to that allowed under FASB Statement No. 133 – one of the most complex accounting standards ever issued. No effective date has been determined.

Research Projects

- *Service Efforts and Accomplishments (SEA).* Per the GASB website, “this research project aims to encourage use and reporting of performance measures and, based on their use, to determine whether performance measures have developed to the point where the GASB will consider establishing a current technical agenda project to assess SEA reporting standards.” NACUBO is very interested in this project as members believe that enhanced service and efforts reporting by educational institutions will benefit us all.

National Association of College and University Business Officer (NACUBO)

- *Uniform Prudent Management of Institutional Funds Act (UPMIFA).* Many states are considering adopting UPMIFA, which would replace existing laws based on the Uniform Management of Institutional Funds Act (UMIFA). As a result, organizations would be allowed to spend the historical value of the original gift so long as the spending rate was considered prudent. The implication is that the accounting for undistributed unrealized gains in net assets could be impacted, so NACUBO would like the GASB to consider any accounting implications for states adopting UPMIFA.
- *Functional Expenses*. NACUBO would like to see consistency in reporting of functional expenses between FASB and GASB. Currently, institutions reporting under GASB are not required to allocate depreciation and maintenance expenses to the other functional categories, nor are they required to report expenses by function as is required for institutions reporting under FASB.
- *Reporting Units*. NACUBO would like guidance on reporting on departments and other units within a governmental organization. Currently, little guidance exists, resulting in variances in practice.

The University of Texas System
Institutional Compliance Program Quarterly Report Summary
3rd Quarter, Fiscal Year 2007

The University of Texas System Institutional Compliance Program (Program) was established in 1998 to ensure that the entire U. T. System, including its 15 institutions, operates in compliance with all applicable laws, policies, and regulations governing higher education institutions. The responsibilities for the Program are outlined in the *Action Plan to Ensure Institutional Compliance* (Action Plan) approved by the Board of Regents in 1998 and updated in 2003. The Action Plan provides that the System-wide Compliance Officer is responsible for "apprising the Chancellor and the Board of Regents of the compliance programs and activities at System Administration and at each of the component institutions". The Action Plan also provides that the Compliance Officers at System Administration and at each institution are responsible and will be held accountable for a risk-based process that builds compliance consciousness into daily business processes, monitors the effectiveness of those processes and communicates instances of noncompliance to appropriate administrative officers for corrective, restorative and/or disciplinary action.

As outlined in the Action Plan, the System-wide Compliance Officer since 2000, Mr. Charles G. Chaffin, provides support to the institutional compliance officers by:

- Facilitating best practice identification
- Providing training and support to each institution on those practices
- Identifying emerging issues
- Working with institutions on reported instances of noncompliance
- Reporting System-wide compliance activities
- Coordinating System-wide compliance efforts
- Advancing the discipline of compliance in higher education/health care.

System-wide Program Activity

During the 3rd quarter of FY 2007, System-wide program efforts included:

- Promoting the U. T. System Compliance Program at a national level through hosting the *5th Conference for Effective Compliance Systems in Higher Education*. Over 300 compliance, audit, legal and other professionals attended – representing over 100 institutions or organizations
- Supporting Strategic Management Systems, Inc. in their detailed review, examination and evaluation of the System-wide Compliance Program
- Distributing an Information Security Bulletin to the institutions which established encryption as a requirement for portable computing devices on which confidential university information is stored
- Prioritizing and requesting FY2008 funding for strategies to be pursued for improving information security across the UT System
- Facilitating the June 2007 compliance program peer review at The University of Texas at San Antonio
- Assisting the Institutional Compliance Advisory Council in coordinating a Q4 meeting of the institutional compliance community and in driving progress on the Risk Assessment and Monitoring Plan, Peer Review, and Training standing committees
- Participating in Endowment Compliance and Medical Billing Advisory Group meetings
- Investigating reported instances of institutional non-compliance
- Identifying and highlighting emerging compliance issues through the “In the News” email publication.

As the System-wide Compliance Officer is responsible for apprising the Chancellor and the Board of Regents on the status and activities of the Program, the following is an overall assessment of the Program:

The U. T. System has compliance programs in place – including active compliance officers and established executive compliance committees--at each institution and System Administration. These programs include appropriate general compliance training taught to each new employee and continuing employee training at least every two years. Using the *Model Standards of Conduct Guide* developed by the System-wide Compliance Office, each institution has developed its own guide to use as a basis for its compliance training. In addition, each institution has developed the following:

- Confidential reporting mechanisms,
- Risk assessments which identify key issues to be monitored and mitigated, and
- Training and monitoring plans at most of the institutions in a majority of the high-risk areas.

Opportunities for enhancement of controls and monitoring plans exist in many areas, including research and information technology (IT) security. During FY 2007, each of the institutions has been developing effort reporting policies and establishing training programs and monitoring plans for those policies per System-wide policy UTS163 (*Guidance on Effort Reporting Policies*). In addition, each institution recently underwent an internal audit to determine if satisfactory progress has been made in implementing UTS163.

Progress is also being made to address System-wide Information security risks. The Chief Information Security Officer Council has identified the primary causes for most large-scale information security incidents, and action is underway to address these risk areas. One of the actions recently taken was to issue a System-wide bulletin establishing encryption as a requirement for portable devices holding confidential institutional data. Also, funding support has been requested to purchase System-wide vulnerability management software and to provide training to improve programmer coding practices. However, other opportunities exist to improve compliance officer-driven monitoring and assurance activities, such as retesting operational controls, certifications, inspections, audits, and peer reviews.

At the beginning of the fiscal year, a key opportunity for improvement existed in ensuring that each institutional Executive Compliance Committee (ECC):

(1) Prioritizes and monitors the high-risk areas;
(2) Ascertains that risk assessments have been conducted for all high-risk areas;
(3) Ensures that monitoring plans exist for all high-risk areas and are reviewed for robustness; and
(4) Ensures reports include the appropriate level of information.

Compliance liaisons have attended many of the institutional ECC meetings over the course of the year and report that several of the institutions that needed to improve in these areas have made significant progress. Other institutions continue to show strength in these areas.

Institutional Program Activity[1]

Per the *Action Plan*, the compliance officers at System Administration and each institution are charged with the following responsibilities:

- Actively engage an institutional Executive Compliance Committee (ECC) that meets at least quarterly
- Provide campus-wide compliance training and promote compliance awareness

[1] Details regarding activities at the institutional level are published in the *Institutional Compliance Program Quarterly Report for Q3 FY 2007*.

- Perform annual compliance risk assessments
- Assist in specialized training for high-risk compliance areas
- Continuously monitor and inspect the institution's high-risk compliance activities
- Manage the institution's confidential reporting mechanisms (hotline, etc.), and
- Report compliance activities and significant compliance issues to executive management, the System-wide Compliance Officer, and the Board of Regents.

The following is a summary of progress that the institutions have made in implementing these elements:

Compliance Committees:
Each institution has an ECC that meets at least quarterly to oversee the institutional compliance program. Quarterly meetings were held at each institution. In addition, U. T. Austin and U. T. Health Science Center – Houston continue to hold monthly meetings. During the 3rd quarter FY 2007, the System-wide Compliance Office liaisons attended thirteen ECC meetings and continued to support the compliance officers in enhancing the ECC role.

Training and Awareness:
General compliance training is conducted using a variety of formats including online, classroom, and written materials. Employees are typically scheduled to receive general compliance training during new employee orientation and thereafter refresher training on an annual or biannual basis. Compliance Officers have been effective at ensuring that General Compliance Training and Codes of Conduct guides are delivered to the appropriate personnel in a timely manner. In the Q3 FY 2007 reports, 100% general compliance training completion rates were reported at U. T. Tyler (all modules) and UTHSC - Houston (for Standards of Conduct/HIPAA and SSN).

A standing committee of the Institutional Compliance Advisory Council is reviewing current compliance training practices across the institutions. The committee will be providing guidelines on recommended compliance trainings (which courses are mandatory, and why, which are recommended) and identifying additional training courses that should be developed for the benefit of health and academic institutions.

Risk Assessment:
Most ECCs review their institution's identified risks and approve the designation of "institutionally significant" compliance risks – risks that, if realized, would have a significant impact on the ability to achieve the goals and objectives of the institution.

The majority of institutions have identified between eight and fifteen institutionally significant areas of high-risk, with multiple high-risk exposures within those areas. Common risk areas of focus during Q3 FY 2007 included: Information Security, Research-Time and Effort, Environmental Health & Safety, Medical Billing, Endowments, Human Subjects Research, Animal Care, and Select Agents.

Establishing a standard Information Security risk assessment process is being defined for FY08 deployment. In addition, a second standing committee of the Institutional Compliance Advisory Council is identifying specific high risks associated with the risk areas of Environmental Health and Safety, Medical Billing, and Time & Effort Reporting.

Specialized Training:
During the quarter, institutions conducted specialized training in many of the areas identified as high-risk, including: Information Technology, Information Security, Human Subject Protection, Effort Reporting, Athletics, NCAA, Endowments, Export Control, Hazardous Chemicals, Student Financial Aid, HIPAA, FERPA, OSHA, Fire Safety, Technology Transfer, Billing Compliance, Records Retention and Select Agents.

Monitoring:
Designated responsible parties verified that monitoring activities are being appropriately performed for many of the high-risk areas. Numerous internal and external inspections and reviews were conducted on many of the risk items in Q3 FY2007. Identified instances of noncompliance typically resulted in corrective action being taken and monitoring plans being revised, when appropriate. Policies and procedures are being refined at the institutions for The University of Texas System-wide Policy UTS163, Guidance on Effort Reporting Policies.

The second standing committee of the Institutional Compliance Advisory Council is developing a list of monitoring activities and retesting best practices that can be conducted by the central compliance offices for various high risk areas. Environmental Health & Safety, Medical Billing, and Time & Effort Reporting are the first areas to be reviewed.

Confidential Reporting:
Each institution has a confidential reporting mechanism with standardized review, resolution, and reporting procedures. On a monthly basis, institutions are required to report on any significant reports of non-compliance. At the end of the year, institutions are required to report on the total number of calls received through their respective hotline.

Compliance Program Reporting:
Reporting continues to be an area of emphasis during this Fiscal Year. The standardized reporting format developed by the System-wide Compliance Office is being utilized by all programs to report to the System-wide Compliance Officer and Board of Regents.

Institutional Organizational Matters:
U. T. Dallas has a new Compliance Manager who began May 1. U. T. Health Center - Tyler has appointed the Compliance Director as interim Compliance Officer as the current Compliance Officer resigned her position effective August 31. U. T. Pan American and U. T. Health Science Center at Houston have hired new compliance staff members and the U. T. Health Science Center – San Antonio is in the process of recruiting additional staff.

Institutional Action Plan Activities:
Many of the Annual Action Plan deliverables established by each institution for FY 2007 are underway and focused on activities including: Quality Assessment Reviews, executive compliance committee training, inspections of high-risk areas, implementation of Enterprise Risk Management, compliance awareness surveys, compliance committee self-evaluations, updating management responsibilities handbook, Faculty Credentialing reviews, assisting in the development of a campus emergency operations plan, information security and social security number security risk management plan, records retention schedule updates, updating institutional compliance manuals, publishing institutional compliance newsletters, and maintaining institutional compliance websites.

Compliance Program Assessment

During the quarter, Strategic Management Systems, Inc. performed an independent assessment of the effectiveness and structure of System Administration and the System-wide Compliance Programs in late April 2007 and late May 2007, respectively. Final reports are expected to be issued in Q4 FY 2007.

In June, The University of Texas at San Antonio underwent a compliance program peer review which concluded that the institutional compliance office generally conforms to the elements of an effective compliance program as defined by the Action Plan to Enhance Institutional Compliance and Federal Sentencing Guidelines. ("Generally conforms" is the highest level rating).

Another standing committee of the Institutional Compliance Advisory Council is developing formal standards for conducting peer reviews of institutional compliance programs and is also providing recommendations for the most effective ways to perform assurance activities for specific high risk areas of concern to many institutions.

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

THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

JUNE 2007

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Austin, Texas 78701
512.499.4527
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THE UNIVERSITY OF TEXAS SYSTEM

MONTHLY FINANCIAL REPORT

(Unaudited)

FOR THE TEN MONTHS ENDING

JUNE 30, 2007

The University of Texas System
Monthly Financial Report

Foreword

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

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

UNAUDITED

The University of Texas System

Comparison of Operating Results and Margin

For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 1,045,910,270	$ 934,883,947	$ 111,026,323	11.9%
Sponsored Programs	1,868,433,501	1,783,455,293	84,978,208	4.8%
Net Sales and Services of Educational Activities	227,290,231	201,028,534	26,261,697	13.1%
Net Sales and Services of Hospitals	2,267,336,194	2,121,464,083	145,872,111	6.9%
Net Professional Fees	830,362,833	668,358,135	162,004,698	24.2%
Net Auxiliary Enterprises	290,359,790	264,316,605	26,043,185	9.9%
Other Operating Revenues	154,301,772	128,540,681	25,761,091	20.0%
Total Operating Revenues	**6,683,994,591**	**6,102,047,278**	**581,947,313**	**9.5%**
Operating Expenses				
Salaries and Wages	4,031,368,407	3,823,363,382	208,005,025	5.4%
Payroll Related Costs	990,664,202	927,508,981	63,155,221	6.8%
Professional Fees and Contracted Services	230,993,246	219,927,869	11,065,377	5.0%
Other Contracted Services	325,800,483	296,010,746	29,789,737	10.1%
Scholarships and Fellowships	464,479,853	415,430,353	49,049,500	11.8%
Travel	91,876,266	86,127,936	5,748,330	6.7%
Materials and Supplies	897,906,646	874,796,435	23,110,211	2.6%
Utilities	208,753,244	215,824,197	(7,070,953)	-3.3%
Telecommunications	53,860,497	53,759,549	100,948	0.2%
Repairs and Maintenance	124,469,462	119,064,909	5,404,553	4.5%
Rentals and Leases	83,454,361	79,653,330	3,801,031	4.8%
Printing and Reproduction	21,901,564	22,333,837	(432,273)	-1.9%
Bad Debt Expense	1,043,755	1,044,112	(357)	0.0%
Claims and Losses	23,748,264	15,277,605	8,470,659	55.4%
Federal Sponsored Programs Pass-Throughs	22,920,149	22,817,890	102,259	0.4%
Depreciation and Amortization	497,871,847	461,363,760	36,508,087	7.9%
Other Operating Expenses	301,096,278	288,656,130	12,440,148	4.3%
Total Operating Expenses	**8,372,208,524**	**7,922,961,021**	**449,247,503**	**5.7%**
Operating Loss	**(1,688,213,933)**	**(1,820,913,743)**	**132,699,810**	**7.3%**
Other Nonoperating Adjustments				
State Appropriations	1,465,133,878	1,451,423,403	13,710,475	0.9%
Gift Contributions for Operations	229,975,492	220,763,854	9,211,638	4.2%
Net Investment Income	465,306,669	442,938,255	22,368,414	5.1%
Long Term Fund Distribution	159,427,713	149,261,124	10,166,589	6.8%
Interest Expense on Capital Asset Financings	(152,295,773)	(151,691,517)	(604,256)	-0.4%
Net Other Nonoperating Adjustments	**2,167,547,979**	**2,112,695,119**	**54,852,860**	**2.6%**
Adjusted Income (Loss) including Depreciation	**479,334,046**	**291,781,376**	**187,552,670**	**64.3%**
Adjusted Margin (as a percentage) including Depreciation	**5.3%**	**3.5%**		
Investment Gains (Losses)	2,525,155,000	994,528,029	1,530,626,971	153.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**$ 3,004,489,046**	**$ 1,286,309,405**	**$ 1,718,179,641**	**133.6%**
Adj. Margin % with Investment Gains (Losses)	**26.1%**	**13.7%**		
Adjusted Income (Loss) with Investment Gains (Losses) excluding Depreciation	**3,502,360,893**	**1,747,673,165**	**1,754,687,728**	**100.4%**
Adjusted Margin (as a percentage) with Investment Gains (Losses) excluding Depreciation	**30.4%**	**18.7%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Ten Months Ending June 30, 2007

	Including Depreciation and Amortization Expense						
	June Year-to-Date FY 2007		June Year-to-Date FY 2006	Variance		Fluctuation Percentage
UT System Administration	$ 229,362,866		$ 220,163,125	$ 9,199,741		4.2%
UT Arlington	16,163,640		9,949,253	6,214,387	(1)	62.5%
UT Austin	62,923,678		71,520,015	(8,596,337)		-12.0%
UT Brownsville	(1,125,464)	(2)	(1,727,001)	601,537		34.8%
UT Dallas	(1,375,457)	(3)	(3,477,062)	2,101,605		60.4%
UT El Paso	2,854,125		2,532,291	321,834		12.7%
UT Pan American	(4,263,830)	(4)	(5,002,223)	738,393		14.8%
UT Permian Basin	(385,097)	(5)	(429,955)	44,858		10.4%
UT San Antonio	28,050,420		22,742,364	5,308,056		23.3%
UT Tyler	2,528,655		(855,869)	3,384,524	(6)	395.4%
UT Southwestern Medical Center - Dallas	66,350,648		23,352,801	42,997,847	(7)	184.1%
UT Medical Branch - Galveston	3,770,140		(41,255,414)	45,025,554	(8)	109.1%
UT Health Science Center - Houston	24,724,801		31,731,244	(7,006,443)		-22.1%
UT Health Science Center - San Antonio	14,415,601		(7,301,358)	21,716,959	(9)	297.4%
UT M. D. Anderson Cancer Center	135,400,812		64,487,749	70,913,063	(10)	110.0%
UT Health Center - Tyler	6,238,508		(915,251)	7,153,759	(11)	781.6%
Elimination of AUF Transfer	(106,300,000)		(93,733,333)	(12,566,667)		-13.4%
Total Adjusted Income (Loss)	479,334,046		291,781,376	187,552,670		64.3%
Investment Gains (Losses)	2,525,155,000		994,528,029	1,530,626,971	(12)	153.9%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 3,004,489,046**		**$ 1,286,309,405**	**$ 1,718,179,641**		**133.6%**

	Excluding Depreciation and Amortization Expense			
	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
UT System Administration	$ 234,460,652	$ 224,593,829	$ 9,866,823	4.4%
UT Arlington	33,131,134	26,689,774	6,441,360	24.1%
UT Austin	162,358,128	162,301,412	56,716	0.0%
UT Brownsville	3,408,683	2,546,957	861,726	33.8%
UT Dallas	14,848,604	8,613,883	6,234,721	72.4%
UT El Paso	14,166,184	12,432,310	1,733,874	13.9%
UT Pan American	8,771,797	6,931,619	1,840,178	26.5%
UT Permian Basin	2,489,461	2,359,824	129,637	5.5%
UT San Antonio	47,703,345	39,909,511	7,793,834	19.5%
UT Tyler	7,516,798	4,228,292	3,288,506	77.8%
UT Southwestern Medical Center - Dallas	118,150,405	70,812,949	47,337,456	66.8%
UT Medical Branch - Galveston	48,166,932	1,421,253	46,745,679	3,289.0%
UT Health Science Center - Houston	51,195,652	54,625,749	(3,430,097)	-6.3%
UT Health Science Center - San Antonio	35,248,934	11,961,534	23,287,400	194.7%
UT M. D. Anderson Cancer Center	290,396,235	213,543,872	76,852,363	36.0%
UT Health Center - Tyler	11,492,949	3,905,701	7,587,248	194.3%
Elimination of AUF Transfer	(106,300,000)	(93,733,333)	(12,566,667)	-13.4%
Total Adjusted Income (Loss)	977,205,893	753,145,136	224,060,757	29.8%
Investment Gains (Losses)	2,525,155,000	994,528,029	1,530,626,971	153.9%
Total Adjusted Income (Loss) with Investment Gains (Losses) Excluding Depreciation and Amortization	**$ 3,502,360,893**	**$ 1,747,673,165**	**$ 1,754,687,728**	**100.4%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Ten Months Ending June 30, 2007

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 Arlington - The $6.2 million (62.5%) increase in adjusted income over the same period last year was primarily due to an increase in tuition and fees as a result of the new utility fee and new flat rate tuition. Excluding depreciation expense, *UT Arlington's* adjusted income was $33.1 million or 10.6%.

(2) UT Brownsville – The $1.1 million year-to-date loss was the result of expenses outpacing revenues. *UT Brownsville* budgeted to utilize $858,000 of reserves in 2007; however, included in the use of reserves was budgeted enrollment growth of 3% with a corresponding increase in expenses. Although total enrollment growth including dual enrollment high school students is projected to be 5%, enrollment growth for tuition paying students is actually 1%. While dual enrollment students at *UT Brownsville* do not pay tuition and fees, future benefits such as additional student enrollments and decreased time to graduation are anticipated. *UT Brownsville's* adjusted income excluding depreciation expense was $3.4 million or 2.9%.

In an effort to improve operating margin, *UT Brownsville* has frozen available lapsed salaries and is examining other areas for reductions of expenses. *UT Brownsville* anticipates ending the year with a $2 million negative margin which represents -1.4% of projected revenues. This forecast includes $5.5 million of depreciation expense.

(3) UT Dallas – The $1.4 million year-to-date loss was the result of management's decision to utilize accumulated reserves in lieu of increasing student fees. The reserves are being used to fund increases in academic programs and the related infrastructure. Excluding depreciation expense, *UT Dallas'* adjusted income was $14.8 million or 6.3%. *UT Dallas* anticipates ending the year with a $1.4 million negative margin which represents -0.5% of projected revenues. Also contributing to the deficit is the increase in depreciation expense which is projected to be $19.7 million.

(4) UT Pan American – The $4.3 million year-to-date loss was primarily due to increased salaries and wages, professional fees and contracted services, and depreciation. Salaries and wages and payroll related costs increased due to new faculty to accommodate enrollment growth and faculty workload reduction, new staff positions primarily in the department of information technology as a result of the Oracle software conversion, merit increases, and the filling of vacant positions. Professional fees and contracted services increased due to a 64% increase for internet connection services from the *UT Austin* Office of Telecommunication Services, which supports newly implemented software that runs on an internet platform. Depreciation increased as a result of several buildings being placed into service at the end of 2006, including the Education Complex and Unity Hall.

Excluding depreciation expense, *UT Pan American's* adjusted income was $8.8 million or 4.6%. *UT Pan American* anticipates ending the year with a $7 million negative margin which represents -3.2% of projected revenues. This forecast includes $15.8 million of depreciation expense.

(5) UT Permian Basin - *UT Permian Basin* reflects a negative margin of $385,000 primarily due to gift contributions for the High-Temperature Teaching and Test Reactor (HT^3R) which were received in 2006, but expended in 2007. *UT Permian Basin* reported a total of $3 million for HT^3R in 2006, of which only $1.1 million was expended. *UT Permian Basin* is on target to spend approximately $600,000 of HT^3R funds in 2007 without any corresponding revenues. The remaining $1.3 million of HT^3R gift revenue is expected to be expended in 2008. This gift revenue includes a $700,000 pledge from Thorium Power that *UT Permian Basin* believes will be collected.

Excluding depreciation expense, *UT Permian Basin's* adjusted income was $2.5 million or 7.1%. Management projects a year-end loss of approximately $1.6 million which represents -3.9% of projected revenues. This forecast includes $3.4 million of depreciation expense.

(6) UT Tyler – The $3.4 million (395.4%) increase in adjusted income over the same period last year was primarily due to higher tuition and fees as a result of increased rates, headcount and semester credit hours. Headcount increased by 193 students and semester credit hours increased by 4.9% for fall 2006. Headcount also increased by 291 students and semester credit hours increased by 7% for spring 2007. Excluding depreciation expense, *UT Tyler's* adjusted income was $7.5 million or 11.8%.

(7) UT Southwestern Medical Center at Dallas – The $43 million (184.1%) increase in adjusted income over the same period last year was primarily due to the receipt of

the first three payments for the Texas Physician Upper Payment Limit (UPL) reimbursement of $61.5 million. Excluding depreciation expense, *UT Southwestern's* adjusted income was $118.2 million or 10.5%.

(8) *UT Medical Branch - Galveston* – The $45 million (109.1%) increase in adjusted income was primarily due to increases in net professional fees and other operating revenues, and a decrease in operating expenses. Net professional fees increased largely due to the receipt of $27.7 million for the first three UPL payments. The rise in other operating revenues resulted from increases in revenue related to the growth of the Austin Programs, Correctional Managed Health Care Value Option Pharmacy, and new continuing education programs. The $2.8 million decrease in operating expenses is the result of cost reductions associated with the financial improvement plan and the elimination of certain one-time costs in the prior year.

UTMB currently reflects a positive margin of $3.8 million and projects year-end income of approximately $7.1 million, which represents 0.5% of projected revenues. This forecast includes $55.9 million of depreciation expense and $13.1 million of Hurricane *Rita* relief. Excluding depreciation expense, *UTMB's* adjusted income was $48.2 million or 4%.

(9) *UT Health Science Center – San Antonio* – The $21.7 million (297.4%) increase in adjusted income over the same period last year was primarily due to a $12 million operating gift received from the Greehey Foundation to be used for research, and educational and recruitment efforts, and the receipt of $11.9 million for the first three UPL payments. Excluding depreciation expense, *UTHSC-San Antonio's* adjusted income was $35.2 million or 7.4%.

(10) *UT M. D. Anderson Cancer Center* – The $70.9 million (110.0%) increase in adjusted income over the same period last year was primarily due to an increase in billed procedures, bone marrow transplants, surgery hours, and billable visits and the first three UPL payments of $12.3 million. Excluding depreciation expense, *M. D. Anderson's* adjusted income was $290.4 million or 13.8%.

(11) *UT Health Center – Tyler* – The $7.2 million (781.6%) increase in adjusted income over the same period last year was primarily due to decreased salaries and wages as a result of the elimination of over 200 full-time positions and receipt of the first three UPL payments of $3.7 million. Excluding depreciation expense, *UTHC–Tyler's* adjusted income was $11.5 million or 11.7%.

UTHC–Tyler's financial statements include the financial structure of NETnet, which is a network of K-12, community colleges, universities, and health institutions linked together allowing the sharing of classrooms, students, teachers, and professors throughout northeast Texas. Since NETnet is a shared network not exclusively for *UTHC-Tyler's* use, the decision was made to exclude NETnet depreciation from the MFR to more accurately reflect the operations of *UTHC-Tyler*. This decision was made because when it is time to replace the NETnet infrastructure, it will not be *UTHC-Tyler's* responsibility. NETnet will lose over $2.3 million by the end of the current fiscal year due to depreciation expense.

(12) *Investment Gains (Losses)* – The majority of the $1.5 billion (153.9%) increase in investment gains relates to the Permanent University Fund of $776.1 million, the Long Term Fund of $374.1 million, and the Permanent Health Fund of $75.3 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 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, 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) including Depreciation – Total operating revenues less total operating expenses including depreciation expense plus net other nonoperating adjustments.

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

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

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

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

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

UNAUDITED

The University of Texas System Administration
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	$ 11,902,886	$ 9,389,554	$2,513,332	26.8%
Net Sales and Services of Educational Activities	18,446,321	12,387,228	6,059,093	48.9%
Other Operating Revenues	19,313,145	14,495,280	4,817,865	33.2%
Total Operating Revenues	**49,662,352**	**36,272,062**	**13,390,290**	**36.9%**
Operating Expenses				
Salaries and Wages	21,836,268	22,215,451	(379,183)	-1.7%
Employee Benefits and Related Costs	4,871,032	5,033,014	(161,982)	-3.2%
Professional Fees and Contracted Services	3,501,862	1,232,549	2,269,313	184.1%
Other Contracted Services	6,114,089	4,735,383	1,378,706	29.1%
Scholarships and Fellowships	176,700	190,000	(13,300)	-7.0%
Travel	1,587,496	1,391,406	196,090	14.1%
Materials and Supplies	2,301,232	2,082,984	218,248	10.5%
Utilities	612,712	350,716	261,996	74.7%
Telecommunications	870,626	1,539,194	(668,568)	-43.4%
Repairs and Maintenance	923,526	846,842	76,684	9.1%
Rentals and Leases	720,044	758,589	(38,545)	-5.1%
Printing and Reproduction	178,423	227,379	(48,956)	-21.5%
Claims and Losses	23,748,264	15,277,605	8,470,659	55.4%
Depreciation and Amortization	5,097,786	4,430,704	667,082	15.1%
Other Operating Expenses	2,642,619	1,771,608	871,011	49.2%
Total Operating Expenses	**75,182,679**	**62,083,424**	**13,099,255**	**21.1%**
Operating Loss	**(25,520,327)**	**(25,811,362)**	**291,035**	**1.1%**
Other Nonoperating Adjustments				
State Appropriations	764,796	691,658	73,138	10.6%
Gift Contributions for Operations	627,892	518,908	108,984	21.0%
Net Investment Income	265,478,551	256,610,893	8,867,658	3.5%
Long Term Fund Distribution	1,100,011	3,165,806	(2,065,795)	-65.3%
Interest Expense on Capital Asset Financings	(39,755,835)	(39,758,729)	2,894	0.0%
Net Other Nonoperating Adjustments	**228,215,415**	**221,228,536**	**6,986,879**	**3.2%**
Adjusted Income (Loss) including Depreciation	**202,695,088**	**195,417,174**	**7,277,914**	**3.7%**
Adjusted Margin (as a percentage) including Depreciation	**63.8%**	**65.7%**		
Available University Fund Transfer	26,667,778	24,745,951	1,921,827	7.8%
Adjusted Income (Loss) with AUF Transfer	**229,362,866**	**220,163,125**	**9,199,741**	**4.2%**
Adjusted Margin % with AUF Transfer	**66.6%**	**68.4%**		
Investment Gains (Losses)	2,186,872,746	964,723,814	1,222,148,932	126.7%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$ 2,416,235,612**	**$ 1,184,886,939**	**$ 1,231,348,673**	**103.9%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**95.5%**	**92.1%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation	**234,460,652**	**224,593,829**	**9,866,823**	**4.4%**
Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation	**68.1%**	**69.7%**		

UNAUDITED

The University of Texas at Arlington
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 132,486,263	$ 118,951,266	$ 13,534,997	11.4%
Sponsored Programs	44,178,691	41,376,365	2,802,326	6.8%
Net Sales and Services of Educational Activities	10,270,068	6,613,417	3,656,651	55.3%
Net Auxiliary Enterprises	24,282,746	18,413,808	5,868,938	31.9%
Other Operating Revenues	5,548,280	6,148,186	(599,906)	-9.8%
Total Operating Revenues	**216,766,048**	**191,503,042**	**25,263,006**	**13.2%**
Operating Expenses				
Salaries and Wages	140,635,446	129,832,327	10,803,119	8.3%
Employee Benefits and Related Costs	31,227,645	28,988,199	2,239,446	7.7%
Professional Fees and Contracted Services	4,365,378	5,089,257	(723,879)	-14.2%
Other Contracted Services	7,494,698	6,304,362	1,190,336	18.9%
Scholarships and Fellowships	36,980,605	34,025,274	2,955,331	8.7%
Travel	3,877,647	3,528,690	348,957	9.9%
Materials and Supplies	16,158,622	15,623,258	535,364	3.4%
Utilities	9,521,145	8,863,581	657,564	7.4%
Telecommunications	4,392,021	4,191,916	200,105	4.8%
Repairs and Maintenance	5,089,734	5,625,455	(535,721)	-9.5%
Rentals and Leases	2,181,424	2,273,668	(92,244)	-4.1%
Printing and Reproduction	1,927,818	1,664,725	263,093	15.8%
Federal Sponsored Programs Pass-Thrus	1,836,204	1,444,749	391,455	27.1%
Depreciation and Amortization	16,967,494	16,740,521	226,973	1.4%
Other Operating Expenses	9,177,350	5,906,996	3,270,354	55.4%
Total Operating Expenses	**291,833,231**	**270,102,978**	**21,730,253**	**8.0%**
Operating Loss	**(75,067,183)**	**(78,599,936)**	**3,532,753**	**4.5%**
Other Nonoperating Adjustments				
State Appropriations	87,870,948	87,436,977	433,971	0.5%
Gift Contributions for Operations	1,675,128	1,885,901	(210,773)	-11.2%
Net Investment Income	5,557,207	4,231,494	1,325,713	31.3%
Long Term Fund Distribution	1,848,570	1,734,548	114,022	6.6%
Interest Expense on Capital Asset Financings	(5,721,030)	(6,739,731)	1,018,701	15.1%
Net Other Nonoperating Adjustments	**91,230,823**	**88,549,189**	**2,681,634**	**3.0%**
Adjusted Income (Loss) including Depreciation	**16,163,640**	**9,949,253**	**6,214,387**	**62.5%**
Adjusted Margin (as a percentage) including Depreciation	**5.2%**	**3.5%**		
Investment Gains (Losses)	11,042,244	1,746,963	9,295,281	532.1%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 27,205,884**	**$ 11,696,216**	**$ 15,509,668**	**132.6%**
Adjusted Margin % with Investment Gains (Losses)	**8.4%**	**4.1%**		
Adjusted Income (Loss) excluding Depreciation	**33,131,134**	**26,689,774**	**6,441,360**	**24.1%**
Adjusted Margin (as a percentage) excluding Depreciation	**10.6%**	**9.3%**		

UNAUDITED
The University of Texas at Austin
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 421,256,277	$ 381,110,524	$ 40,145,753	10.5%
Sponsored Programs	370,463,763	347,560,457	22,903,306	6.6%
Net Sales and Services of Educational Activities	121,897,632	100,094,595	21,803,037	21.8%
Net Auxiliary Enterprises	151,496,550	138,738,453	12,758,097	9.2%
Other Operating Revenues	9,390,153	6,012,927	3,377,226	56.2%
Total Operating Revenues	**1,074,504,375**	**973,516,956**	**100,987,419**	**10.4%**
Operating Expenses				
Salaries and Wages	729,784,870	692,834,498	36,950,372	5.3%
Employee Benefits and Related Costs	170,569,466	156,297,102	14,272,364	9.1%
Professional Fees and Contracted Services	19,636,373	18,567,773	1,068,600	5.8%
Other Contracted Services	60,984,712	50,356,480	10,628,232	21.1%
Scholarships and Fellowships	165,092,167	141,533,419	23,558,748	16.6%
Travel	29,677,034	27,783,320	1,893,714	6.8%
Materials and Supplies	88,980,365	84,404,066	4,576,299	5.4%
Utilities	54,582,257	61,099,860	(6,517,603)	-10.7%
Telecommunications	11,956,749	11,499,190	457,559	4.0%
Repairs and Maintenance	19,654,212	18,997,902	656,310	3.5%
Rentals and Leases	12,389,806	10,789,571	1,600,235	14.8%
Printing and Reproduction	7,843,088	7,404,143	438,945	5.9%
Federal Sponsored Programs Pass-Thrus	4,588,077	2,132,888	2,455,189	115.1%
Depreciation and Amortization	99,434,450	90,781,397	8,653,053	9.5%
Other Operating Expenses	70,561,868	54,682,702	15,879,166	29.0%
Total Operating Expenses	**1,545,735,494**	**1,429,164,311**	**116,571,183**	**8.2%**
Operating Loss	**(471,231,119)**	**(455,647,355)**	**(15,583,764)**	**-3.4%**
Other Nonoperating Adjustments				
State Appropriations	255,795,101	254,815,304	979,797	0.4%
Gift Contributions for Operations	81,576,345	89,544,968	(7,968,623)	-8.9%
Net Investment Income	33,042,655	33,245,318	(202,663)	-0.6%
Long Term Fund Distribution	82,581,945	77,579,823	5,002,122	6.4%
Interest Expense on Capital Asset Financings	(25,141,249)	(21,751,376)	(3,389,873)	-15.6%
Net Other Nonoperating Adjustments	**427,854,797**	**433,434,037**	**(5,579,240)**	**-1.3%**
Adjusted Income (Loss) including Depreciation	**(43,376,322)**	**(22,213,318)**	**(21,163,004)**	**-95.3%**
Adjusted Margin (as a percentage) including Depreciation	**-2.8%**	**-1.6%**		
Available University Fund Transfer	106,300,000	93,733,333	12,566,667	13.4%
Adjusted Income (Loss) with AUF Transfer	**62,923,678**	**71,520,015**	**(8,596,337)**	**-12.0%**
Adjusted Margin % with AUF Transfer	**3.9%**	**4.7%**		
Investment Gains (Losses)	55,468,786	(3,171,384)	58,640,170	1,849.0%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$ 118,392,464**	**$ 68,348,631**	**$ 50,043,833**	**73.2%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**7.0%**	**4.5%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation	**162,358,128**	**162,301,412**	**56,716**	**0.0%**
Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation	**9.9%**	**10.7%**		

UNAUDITED

The University of Texas at Brownsville
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 9,942,450	$ 9,442,328	$ 500,122	5.3%
Sponsored Programs	78,605,639	68,625,484	9,980,155	14.5%
Net Sales and Services of Educational Activities	870,706	784,396	86,310	11.0%
Net Auxiliary Enterprises	818,000	737,304	80,696	10.9%
Other Operating Revenues	15,851	20,496	(4,645)	-22.7%
Total Operating Revenues	**90,252,646**	**79,610,008**	**10,642,638**	**13.4%**
Operating Expenses				
Salaries and Wages	46,805,121	41,995,826	4,809,295	11.5%
Employee Benefits and Related Costs	11,385,932	10,282,074	1,103,858	10.7%
Professional Fees and Contracted Services	1,575,872	1,437,605	138,267	9.6%
Scholarships and Fellowships	34,502,284	29,013,975	5,488,309	18.9%
Travel	1,015,468	960,016	55,452	5.8%
Materials and Supplies	3,472,323	4,014,518	(542,195)	-13.5%
Utilities	2,906,329	3,298,493	(392,164)	-11.9%
Telecommunications	1,332,330	1,317,006	15,324	1.2%
Repairs and Maintenance	696,417	777,647	(81,230)	-10.4%
Rentals and Leases	1,592,238	1,535,575	56,663	3.7%
Printing and Reproduction	325,106	292,406	32,700	11.2%
Bad Debt Expense	21,415	19,403	2,012	10.4%
Federal Sponsored Programs Pass-Thrus	48,552	37,897	10,655	28.1%
Depreciation and Amortization	4,534,147	4,273,958	260,189	6.1%
Other Operating Expenses	5,348,383	5,312,495	35,888	0.7%
Total Operating Expenses	**115,561,917**	**104,568,894**	**10,993,023**	**10.5%**
Operating Loss	**(25,309,271)**	**(24,958,886)**	**(350,385)**	**-1.4%**
Other Nonoperating Adjustments				
State Appropriations	24,085,024	23,570,449	514,575	2.2%
Gift Contributions for Operations	266,127	154,101	112,026	72.7%
Net Investment Income	941,155	964,270	(23,115)	-2.4%
Long Term Fund Distribution	240,231	218,648	21,583	9.9%
Interest Expense on Capital Asset Financings	(1,348,730)	(1,675,583)	326,853	19.5%
Net Other Nonoperating Adjustments	**24,183,807**	**23,231,885**	**951,922**	**4.1%**
Adjusted Income (Loss) including Depreciation	**(1,125,464)**	**(1,727,001)**	**601,537**	**34.8%**
Adjusted Margin (as a percentage) including Depreciation	**-1.0%**	**-1.7%**		
Investment Gains (Losses)	2,375,019	(302,980)	2,677,999	883.9%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 1,249,555**	**$ (2,029,981)**	**$ 3,279,536**	**161.6%**
Adjusted Margin % with Investment Gains (Losses)	**1.1%**	**-1.9%**		
Adjusted Income (Loss) excluding Depreciation	**3,408,683**	**2,546,957**	**861,726**	**33.8%**
Adjusted Margin (as a percentage) excluding Depreciation	**2.9%**	**2.4%**		

UNAUDITED

The University of Texas at Dallas
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 105,614,847	$ 90,041,258	$ 15,573,589	17.3%
Sponsored Programs	34,371,300	36,027,560	(1,656,260)	-4.6%
Net Sales and Services of Educational Activities	5,377,908	5,465,509	(87,601)	-1.6%
Net Auxiliary Enterprises	4,431,446	5,055,664	(624,218)	-12.3%
Other Operating Revenues	4,972,301	4,606,232	366,069	7.9%
Total Operating Revenues	**154,767,802**	**141,196,223**	**13,571,579**	**9.6%**
Operating Expenses				
Salaries and Wages	112,537,579	104,992,167	7,545,412	7.2%
Employee Benefits and Related Costs	23,152,813	21,098,972	2,053,841	9.7%
Professional Fees and Contracted Services	2,319,893	3,334,772	(1,014,879)	-30.4%
Other Contracted Services	6,345,892	6,739,304	(393,412)	-5.8%
Scholarships and Fellowships	38,349,092	33,592,109	4,756,983	14.2%
Travel	2,594,594	2,584,770	9,824	0.4%
Materials and Supplies	11,585,564	12,933,227	(1,347,663)	-10.4%
Utilities	6,022,511	5,411,172	611,339	11.3%
Telecommunications	1,109,513	1,364,514	(255,001)	-18.7%
Repairs and Maintenance	2,356,554	3,791,135	(1,434,581)	-37.8%
Rentals and Leases	1,106,115	521,940	584,175	111.9%
Printing and Reproduction	1,097,722	1,166,887	(69,165)	-5.9%
Federal Sponsored Programs Pass-Thrus	136,851	214,747	(77,896)	-36.3%
Depreciation and Amortization	16,224,061	12,090,945	4,133,116	34.2%
Other Operating Expenses	7,386,327	6,682,452	703,875	10.5%
Total Operating Expenses	**232,325,081**	**216,519,113**	**15,805,968**	**7.3%**
Operating Loss	**(77,557,279)**	**(75,322,890)**	**(2,234,389)**	**-3.0%**
Other Nonoperating Adjustments				
State Appropriations	63,817,466	62,557,260	1,260,206	2.0%
Gift Contributions for Operations	7,609,728	4,330,297	3,279,431	75.7%
Net Investment Income	4,094,308	3,446,912	647,396	18.8%
Long Term Fund Distribution	6,340,750	5,975,833	364,917	6.1%
Interest Expense on Capital Asset Financings	(5,680,430)	(4,464,474)	(1,215,956)	-27.2%
Net Other Nonoperating Adjustments	**76,181,822**	**71,845,828**	**4,335,994**	**6.0%**
Adjusted Income (Loss) including Depreciation	**(1,375,457)**	**(3,477,062)**	**2,101,605**	**60.4%**
Adjusted Margin (as a percentage) including Depreciation	**-0.6%**	**-1.6%**		
Investment Gains (Losses)	7,253,894	(621,102)	7,874,996	1,267.9%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 5,878,437**	**$ (4,098,164)**	**$ 9,976,601**	**243.4%**
Adjusted Margin % with Investment Gains (Losses)	**2.4%**	**-1.9%**		
Adjusted Income (Loss) excluding Depreciation	**14,848,604**	**8,613,883**	**6,234,721**	**72.4%**
Adjusted Margin (as a percentage) excluding Depreciation	**6.3%**	**4.0%**		

UNAUDITED

The University of Texas at El Paso
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 73,264,421	$ 66,756,237	$ 6,508,184	9.7%
Sponsored Programs	70,335,743	68,706,641	1,629,102	2.4%
Net Sales and Services of Educational Activities	3,546,502	3,411,589	134,913	4.0%
Net Auxiliary Enterprises	24,540,280	22,035,934	2,504,346	11.4%
Other Operating Revenues	17,812	54,730	(36,918)	-67.5%
Total Operating Revenues	**171,704,758**	**160,965,131**	**10,739,627**	**6.7%**
Operating Expenses				
Salaries and Wages	104,705,669	100,673,970	4,031,699	4.0%
Employee Benefits and Related Costs	25,417,709	23,915,510	1,502,199	6.3%
Professional Fees and Contracted Services	6,669,891	3,719,002	2,950,889	79.3%
Other Contracted Services	10,992,980	9,787,741	1,205,239	12.3%
Scholarships and Fellowships	48,795,756	45,576,034	3,219,722	7.1%
Travel	4,494,391	4,372,545	121,846	2.8%
Materials and Supplies	16,800,171	18,623,151	(1,822,980)	-9.8%
Utilities	6,182,655	6,037,664	144,991	2.4%
Telecommunications	608,724	567,032	41,692	7.4%
Repairs and Maintenance	2,793,098	2,889,734	(96,636)	-3.3%
Rentals and Leases	2,430,566	1,927,694	502,872	26.1%
Printing and Reproduction	513,725	707,739	(194,014)	-27.4%
Federal Sponsored Programs Pass-Thrus	262,323	1,136,264	(873,941)	-76.9%
Depreciation and Amortization	11,312,059	9,900,019	1,412,040	14.3%
Other Operating Expenses	4,709,264	4,373,545	335,719	7.7%
Total Operating Expenses	**246,688,981**	**234,207,644**	**12,481,337**	**5.3%**
Operating Loss	**(74,984,223)**	**(73,242,513)**	**(1,741,710)**	**-2.4%**
Other Nonoperating Adjustments				
State Appropriations	67,108,065	67,115,645	(7,580)	0.0%
Gift Contributions for Operations	6,241,917	4,907,503	1,334,414	27.2%
Net Investment Income	4,168,687	3,469,944	698,743	20.1%
Long Term Fund Distribution	3,795,279	3,626,061	169,218	4.7%
Interest Expense on Capital Asset Financings	(3,475,600)	(3,344,349)	(131,251)	-3.9%
Net Other Nonoperating Adjustments	**77,838,348**	**75,774,804**	**2,063,544**	**2.7%**
Adjusted Income (Loss) including Depreciation	**2,854,125**	**2,532,291**	**321,834**	**12.7%**
Adjusted Margin (as a percentage) including Depreciation	**1.1%**	**1.1%**		
Investment Gains (Losses)	4,919,641	(432,365)	5,352,006	1,237.8%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 7,773,766**	**$ 2,099,926**	**$ 5,673,840**	**270.2%**
Adjusted Margin % with Investment Gains (Losses)	**3.0%**	**0.9%**		
Adjusted Income (Loss) excluding Depreciation	**14,166,184**	**12,432,310**	**1,733,874**	**13.9%**
Adjusted Margin (as a percentage) excluding Depreciation	**5.6%**	**5.2%**		

UNAUDITED

The University of Texas-Pan American
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 57,039,270	$ 49,337,833	$ 7,701,437	15.6%
Sponsored Programs	64,659,324	59,876,071	4,783,253	8.0%
Net Sales and Services of Educational Activities	4,687,583	5,140,085	(452,502)	-8.8%
Net Auxiliary Enterprises	2,561,285	3,126,700	(565,415)	-18.1%
Other Operating Revenues	740,246	747,754	(7,508)	-1.0%
Total Operating Revenues	**129,687,708**	**118,228,443**	**11,459,265**	**9.7%**
Operating Expenses				
Salaries and Wages	75,402,027	71,080,952	4,321,075	6.1%
Employee Benefits and Related Costs	17,269,880	17,054,112	215,768	1.3%
Professional Fees and Contracted Services	1,447,583	734,616	712,967	97.1%
Other Contracted Services	4,196,529	4,936,658	(740,129)	-15.0%
Scholarships and Fellowships	56,362,052	51,545,528	4,816,524	9.3%
Travel	2,997,686	2,932,090	65,596	2.2%
Materials and Supplies	10,497,760	9,785,490	712,270	7.3%
Utilities	4,233,519	4,036,329	197,190	4.9%
Telecommunications	607,053	772,623	(165,570)	-21.4%
Repairs and Maintenance	1,652,426	981,389	671,037	68.4%
Rentals and Leases	614,526	646,385	(31,859)	-4.9%
Printing and Reproduction	274,059	544,848	(270,789)	-49.7%
Bad Debt Expense	1,022,340	1,020,780	1,560	0.2%
Federal Sponsored Programs Pass-Thrus	27,671	89,107	(61,436)	-68.9%
Depreciation and Amortization	13,035,627	11,933,842	1,101,785	9.2%
Other Operating Expenses	4,159,978	4,002,032	157,946	3.9%
Total Operating Expenses	**193,800,716**	**182,096,781**	**11,703,935**	**6.4%**
Operating Loss	**(64,113,008)**	**(63,868,338)**	**(244,670)**	**-0.4%**
Other Nonoperating Adjustments				
State Appropriations	58,243,127	57,001,384	1,241,743	2.2%
Gift Contributions for Operations	1,958,865	1,298,241	660,624	50.9%
Net Investment Income	1,850,246	1,715,651	134,595	7.8%
Long Term Fund Distribution	900,140	831,433	68,707	8.3%
Interest Expense on Capital Asset Financings	(3,103,200)	(1,980,594)	(1,122,606)	-56.7%
Net Other Nonoperating Adjustments	**59,849,178**	**58,866,115**	**983,063**	**1.7%**
Adjusted Income (Loss) including Depreciation	**(4,263,830)**	**(5,002,223)**	**738,393**	**14.8%**
Adjusted Margin (as a percentage) including Depreciation	**-2.2%**	**-2.8%**		
Investment Gains (Losses)	2,984,204	(772,402)	3,756,606	486.4%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ (1,279,626)**	**$ (5,774,625)**	**$ 4,494,999**	**77.8%**
Adjusted Margin % with Investment Gains (Losses)	**-0.7%**	**-3.2%**		
Adjusted Income (Loss) excluding Depreciation	**8,771,797**	**6,931,619**	**1,840,178**	**26.5%**
Adjusted Margin (as a percentage) excluding Depreciation	**4.6%**	**3.9%**		

UNAUDITED

The University of Texas of the Permian Basin
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 11,543,387	$ 10,197,449	$ 1,345,938	13.2%
Sponsored Programs	5,285,365	4,726,289	559,076	11.8%
Net Sales and Services of Educational Activities	225,392	216,787	8,605	4.0%
Net Auxiliary Enterprises	1,785,193	1,555,208	229,985	14.8%
Other Operating Revenues	125,740	195,822	(70,082)	-35.8%
Total Operating Revenues	**18,965,077**	**16,891,555**	**2,073,522**	**12.3%**
Operating Expenses				
Salaries and Wages	13,958,919	13,486,487	472,432	3.5%
Employee Benefits and Related Costs	3,321,243	3,124,608	196,635	6.3%
Professional Fees and Contracted Services	714,919	1,776,618	(1,061,699)	-59.8%
Other Contracted Services	1,027,791	735,311	292,480	39.8%
Scholarships and Fellowships	6,355,717	6,140,789	214,928	3.5%
Travel	664,951	715,550	(50,599)	-7.1%
Materials and Supplies	1,643,333	1,845,081	(201,748)	-10.9%
Utilities	1,720,522	1,565,998	154,524	9.9%
Telecommunications	343,542	410,165	(66,623)	-16.2%
Repairs and Maintenance	619,225	498,959	120,266	24.1%
Rentals and Leases	223,654	227,260	(3,606)	-1.6%
Printing and Reproduction	190,612	235,061	(44,449)	-18.9%
Depreciation and Amortization	2,874,558	2,789,779	84,779	3.0%
Other Operating Expenses	714,078	671,493	42,585	6.3%
Total Operating Expenses	**34,373,064**	**34,223,159**	**149,905**	**0.4%**
Operating Loss	**(15,407,987)**	**(17,331,604)**	**1,923,617**	**11.1%**
Other Nonoperating Adjustments				
State Appropriations	14,340,427	14,285,350	55,077	0.4%
Gift Contributions for Operations	1,091,781	3,304,153	(2,212,372)	-67.0%
Net Investment Income	354,473	241,357	113,116	46.9%
Long Term Fund Distribution	554,049	528,101	25,948	4.9%
Interest Expense on Capital Asset Financings	(1,317,840)	(1,457,312)	139,472	9.6%
Net Other Nonoperating Adjustments	**15,022,890**	**16,901,649**	**(1,878,759)**	**-11.1%**
Adjusted Income (Loss) including Depreciation	**(385,097)**	**(429,955)**	**44,858**	**10.4%**
Adjusted Margin (as a percentage) including Depreciation	**-1.1%**	**-1.2%**		
Investment Gains (Losses)	368,798	21,517	347,281	1,614.0%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ (16,299)**	**$ (408,438)**	**$ 392,139**	**96.0%**
Adjusted Margin % with Investment Gains (Losses)	**-0.0%**	**-1.2%**		
Adjusted Income (Loss) excluding Depreciation	**2,489,461**	**2,359,824**	**129,637**	**5.5%**
Adjusted Margin (as a percentage) excluding Depreciation	**7.1%**	**6.7%**		

UNAUDITED

The University of Texas at San Antonio
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 144,909,494	$ 128,707,812	$ 16,201,682	12.6%
Sponsored Programs	63,253,529	62,855,955	397,574	0.6%
Net Sales and Services of Educational Activities	4,977,653	5,027,667	(50,014)	-1.0%
Net Auxiliary Enterprises	12,562,087	11,759,713	802,374	6.8%
Other Operating Revenues	1,620,306	2,213,753	(593,447)	-26.8%
Total Operating Revenues	**227,323,069**	**210,564,900**	**16,758,169**	**8.0%**
Operating Expenses				
Salaries and Wages	130,056,036	120,739,413	9,316,623	7.7%
Employee Benefits and Related Costs	31,686,444	28,948,045	2,738,399	9.5%
Professional Fees and Contracted Services	2,367,074	2,827,480	(460,406)	-16.3%
Other Contracted Services	3,589,862	2,565,421	1,024,441	39.9%
Scholarships and Fellowships	51,981,356	49,809,469	2,171,887	4.4%
Travel	4,456,613	4,579,544	(122,931)	-2.7%
Materials and Supplies	14,057,274	18,200,695	(4,143,421)	-22.8%
Utilities	7,487,750	8,776,777	(1,289,027)	-14.7%
Telecommunications	2,151,653	2,081,623	70,030	3.4%
Repairs and Maintenance	4,968,977	4,589,444	379,533	8.3%
Rentals and Leases	2,098,257	2,076,083	22,174	1.1%
Printing and Reproduction	916,626	890,799	25,827	2.9%
Federal Sponsored Programs Pass-Thrus	2,213,466	2,367,142	(153,676)	-6.5%
Depreciation and Amortization	19,652,925	17,167,147	2,485,778	14.5%
Other Operating Expenses	4,877,535	4,130,846	746,689	18.1%
Total Operating Expenses	**282,561,848**	**269,749,928**	**12,811,920**	**4.7%**
Operating Loss	**(55,238,779)**	**(59,185,028)**	**3,946,249**	**6.7%**
Other Nonoperating Adjustments				
State Appropriations	81,777,882	81,216,041	561,841	0.7%
Gift Contributions for Operations	3,000,359	3,011,647	(11,288)	-0.4%
Net Investment Income	5,135,282	4,822,076	313,206	6.5%
Long Term Fund Distribution	1,568,196	1,362,519	205,677	15.1%
Interest Expense on Capital Asset Financings	(8,192,520)	(8,484,891)	292,371	3.4%
Net Other Nonoperating Adjustments	**83,289,199**	**81,927,392**	**1,361,807**	**1.7%**
Adjusted Income (Loss) including Depreciation	**28,050,420**	**22,742,364**	**5,308,056**	**23.3%**
Adjusted Margin (as a percentage) including Depreciation	**8.8%**	**7.6%**		
Investment Gains (Losses)	11,666,160	198,573	11,467,587	5,775.0%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 39,716,580**	**$ 22,940,937**	**$ 16,775,643**	**73.1%**
Adjusted Margin % with Investment Gains (Losses)	**12.0%**	**7.6%**		
Adjusted Income (Loss) excluding Depreciation	**47,703,345**	**39,909,511**	**7,793,834**	**19.5%**
Adjusted Margin (as a percentage) excluding Depreciation	**15.0%**	**13.3%**		

UNAUDITED

The University of Texas at Tyler
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 22,582,850	$ 18,859,500	$ 3,723,350	19.7%
Sponsored Programs	7,829,563	6,799,997	1,029,566	15.1%
Net Sales and Services of Educational Activities	866,619	831,112	35,507	4.3%
Net Auxiliary Enterprises	3,310,102	2,570,636	739,466	28.8%
Other Operating Revenues	46,891	97,696	(50,805)	-52.0%
Total Operating Revenues	**34,636,025**	**29,158,941**	**5,477,084**	**18.8%**
Operating Expenses				
Salaries and Wages	25,908,060	24,370,015	1,538,045	6.3%
Employee Benefits and Related Costs	6,581,749	5,898,348	683,401	11.6%
Professional Fees and Contracted Services	870,933	804,164	66,769	8.3%
Other Contracted Services	2,430,455	2,149,555	280,900	13.1%
Scholarships and Fellowships	9,368,537	9,048,993	319,544	3.5%
Travel	1,026,481	919,732	106,749	11.6%
Materials and Supplies	3,795,500	3,506,488	289,012	8.2%
Utilities	1,276,415	1,349,258	(72,843)	-5.4%
Telecommunications	449,792	386,866	62,926	16.3%
Repairs and Maintenance	760,634	1,266,631	(505,997)	-39.9%
Rentals and Leases	287,592	228,283	59,309	26.0%
Printing and Reproduction	514,047	482,592	31,455	6.5%
Depreciation and Amortization	4,988,143	5,084,161	(96,018)	-1.9%
Other Operating Expenses	1,181,148	1,168,348	12,800	1.1%
Total Operating Expenses	**59,439,486**	**56,663,434**	**2,776,052**	**4.9%**
Operating Loss	**(24,803,461)**	**(27,504,493)**	**2,701,032**	**9.8%**
Other Nonoperating Adjustments				
State Appropriations	25,338,156	24,995,113	343,043	1.4%
Gift Contributions for Operations	879,422	766,284	113,138	14.8%
Net Investment Income	971,066	851,043	120,023	14.1%
Long Term Fund Distribution	2,038,892	1,942,648	96,244	5.0%
Interest Expense on Capital Asset Financings	(1,895,420)	(1,906,464)	11,044	0.6%
Net Other Nonoperating Adjustments	**27,332,116**	**26,648,624**	**683,492**	**2.6%**
Adjusted Income (Loss) including Depreciation	**2,528,655**	**(855,869)**	**3,384,524**	**395.4%**
Adjusted Margin (as a percentage) including Depreciation	**4.0%**	**-1.5%**		
Investment Gains (Losses)	1,739,477	10,073	1,729,404	17,168.7%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 4,268,132**	**$ (845,796)**	**$ 5,113,928**	**604.6%**
Adjusted Margin % with Investment Gains (Losses)	**6.5%**	**-1.5%**		
Adjusted Income (Loss) excluding Depreciation	**7,516,798**	**4,228,292**	**3,288,506**	**77.8%**
Adjusted Margin (as a percentage) excluding Depreciation	**11.8%**	**7.3%**		

UNAUDITED

The University of Texas Southwestern Medical Center at Dallas
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 16,365,744	$ 15,226,808	$ 1,138,936	7.5%
Sponsored Programs	330,220,849	322,824,695	7,396,154	2.3%
Net Sales and Services of Educational Activities	5,671,116	11,386,013	(5,714,897)	-50.2%
Net Sales and Services of Hospitals	246,851,913	234,312,223	12,539,690	5.4%
Net Professional Fees	290,124,154	209,487,075	80,637,079	38.5%
Net Auxiliary Enterprises	14,167,021	14,411,967	(244,946)	-1.7%
Other Operating Revenues	5,367,544	5,195,183	172,361	3.3%
Total Operating Revenues	**908,768,341**	**812,843,964**	**95,924,377**	**11.8%**
Operating Expenses				
Salaries and Wages	524,414,119	487,540,572	36,873,547	7.6%
Employee Benefits and Related Costs	142,127,025	130,746,324	11,380,701	8.7%
Professional Fees and Contracted Services	18,460,898	14,313,098	4,147,800	29.0%
Other Contracted Services	56,286,732	55,887,503	399,229	0.7%
Scholarships and Fellowships	5,798,512	5,840,282	(41,770)	-0.7%
Travel	7,095,298	6,942,648	152,650	2.2%
Materials and Supplies	146,309,765	138,258,305	8,051,460	5.8%
Utilities	23,387,155	20,266,208	3,120,947	15.4%
Telecommunications	5,680,413	5,825,677	(145,264)	-2.5%
Repairs and Maintenance	11,081,963	11,036,915	45,048	0.4%
Rentals and Leases	9,460,323	9,321,473	138,850	1.5%
Printing and Reproduction	1,787,720	2,023,006	(235,286)	-11.6%
Federal Sponsored Programs Pass-Thrus	1,097,966	2,057,002	(959,036)	-46.6%
Depreciation and Amortization	51,799,757	47,460,148	4,339,609	9.1%
Other Operating Expenses	35,190,592	37,508,749	(2,318,157)	-6.2%
Total Operating Expenses	**1,039,978,238**	**975,027,910**	**64,950,328**	**6.7%**
Operating Loss	**(131,209,897)**	**(162,183,946)**	**30,974,049**	**19.1%**
Other Nonoperating Adjustments				
State Appropriations	124,791,358	122,226,518	2,564,840	2.1%
Gift Contributions for Operations	34,338,779	27,989,259	6,349,520	22.7%
Net Investment Income	29,143,879	29,855,354	(711,475)	-2.4%
Long Term Fund Distribution	24,745,769	22,954,182	1,791,587	7.8%
Interest Expense on Capital Asset Financings	(15,459,240)	(17,488,566)	2,029,326	11.6%
Net Other Nonoperating Adjustments	**197,560,545**	**185,536,747**	**12,023,798**	**6.5%**
Adjusted Income (Loss) including Depreciation	**66,350,648**	**23,352,801**	**42,997,847**	**184.1%**
Adjusted Margin (as a percentage) including Depreciation	**5.9%**	**2.3%**		
Investment Gains (Losses)	35,307,437	(3,376,308)	38,683,745	1,145.7%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 101,658,085**	**$ 19,976,493**	**$ 81,681,592**	**408.9%**
Adjusted Margin % with Investment Gains (Losses)	**8.8%**	**2.0%**		
Adjusted Income (Loss) excluding Depreciation	**118,150,405**	**70,812,949**	**47,337,456**	**66.8%**
Adjusted Margin (as a percentage) excluding Depreciation	**10.5%**	**7.0%**		

Note: *UT Southwestern Medical Center at Dallas received $61.5 million of Texas Physician Upper Payment Limit reimbursements in 2007. These funds are only allowed to be used by the Physician Practice Plan to enhance patient services.*

UNAUDITED

The University of Texas Medical Branch at Galveston
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 14,351,432	$ 11,435,357	$ 2,916,075	25.5%
Sponsored Programs	172,735,029	167,681,516	5,053,513	3.0%
Net Sales and Services of Educational Activities	1,678,106	1,674,834	3,272	0.2%
Net Sales and Services of Hospitals	561,839,138	570,990,901	(9,151,763)	-1.6%
Net Professional Fees	121,949,007	96,687,385	25,261,622	26.1%
Net Auxiliary Enterprises	7,576,998	7,335,099	241,899	3.3%
Other Operating Revenues	29,421,250	21,889,673	7,531,577	34.4%
Total Operating Revenues	**909,550,960**	**877,694,765**	**31,856,195**	**3.6%**
Operating Expenses				
Salaries and Wages	620,183,648	622,711,357	(2,527,709)	-0.4%
Employee Benefits and Related Costs	145,953,591	144,117,658	1,835,933	1.3%
Professional Fees and Contracted Services	28,960,020	38,974,501	(10,014,481)	-25.7%
Other Contracted Services	49,049,635	45,531,837	3,517,798	7.7%
Scholarships and Fellowships	6,205,511	5,862,625	342,886	5.8%
Travel	5,908,517	5,890,426	18,091	0.3%
Materials and Supplies	148,602,374	140,774,354	7,828,020	5.6%
Utilities	23,107,163	25,577,275	(2,470,112)	-9.7%
Telecommunications	11,421,911	10,303,149	1,118,762	10.9%
Repairs and Maintenance	25,659,851	26,977,619	(1,317,768)	-4.9%
Rentals and Leases	11,934,772	10,642,568	1,292,204	12.1%
Printing and Reproduction	1,873,935	1,799,597	74,338	4.1%
Federal Sponsored Programs Pass-Thrus	6,832,222	6,261,762	570,460	9.1%
Depreciation and Amortization	44,396,792	42,676,667	1,720,125	4.0%
Other Operating Expenses	52,982,905	57,754,509	(4,771,604)	-8.3%
Total Operating Expenses	**1,183,072,847**	**1,185,855,904**	**(2,783,057)**	**-0.2%**
Operating Loss	**(273,521,887)**	**(308,161,139)**	**34,639,252**	**11.2%**
Other Nonoperating Adjustments				
State Appropriations	246,163,427	240,407,508	5,755,919	2.4%
Gift Contributions for Operations	6,360,863	4,761,905	1,598,958	33.6%
Net Investment Income	14,843,518	15,955,351	(1,111,833)	-7.0%
Long Term Fund Distribution	13,723,858	10,858,296	2,865,562	26.4%
Interest Expense on Capital Asset Financings	(3,799,639)	(5,077,335)	1,277,696	25.2%
Net Other Nonoperating Adjustments	**277,292,027**	**266,905,725**	**10,386,302**	**3.9%**
Adjusted Income (Loss) including Depreciation	**3,770,140**	**(41,255,414)**	**45,025,554**	**109.1%**
Adjusted Margin (as a percentage) including Depreciation	**0.3%**	**-3.6%**		
Investment Gains (Losses)	71,879,104	14,249,011	57,630,093	404.4%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 75,649,244**	**$ (27,006,403)**	**$ 102,655,647**	**380.1%**
Adjusted Margin % with Investment Gains (Losses)	**6.0%**	**-2.3%**		
Adjusted Income (Loss) excluding Depreciation	**48,166,932**	**1,421,253**	**46,745,679**	**3,289.0%**
Adjusted Margin (as a percentage) excluding Depreciation	**4.0%**	**0.1%**		

Note: *UT Medical Branch at Galveston received $27.7 million of Texas Physician Upper Payment Limit reimbursements in 2007. These funds are only allowed to be used by the Physician Practice Plan to enhance patient services.*

UNAUDITED

The University of Texas Health Science Center at Houston
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 18,476,805	$ 15,620,786	$ 2,856,019	18.3%
Sponsored Programs	239,898,865	232,648,391	7,250,474	3.1%
Net Sales and Services of Educational Activities	27,123,018	27,440,874	(317,856)	-1.2%
Net Sales and Services of Hospitals	22,383,446	24,667,815	(2,284,369)	-9.3%
Net Professional Fees	101,470,572	89,362,264	12,108,308	13.5%
Net Auxiliary Enterprises	19,052,503	15,810,365	3,242,138	20.5%
Other Operating Revenues	26,789,711	25,729,403	1,060,308	4.1%
Total Operating Revenues	**455,194,920**	**431,279,898**	**23,915,022**	**5.5%**
Operating Expenses				
Salaries and Wages	274,989,303	267,729,023	7,260,280	2.7%
Employee Benefits and Related Costs	61,657,123	58,973,823	2,683,300	4.5%
Professional Fees and Contracted Services	47,214,324	48,082,718	(868,394)	-1.8%
Other Contracted Services	35,851,332	32,096,880	3,754,452	11.7%
Scholarships and Fellowships	2,171,518	1,874,888	296,630	15.8%
Travel	5,089,098	5,011,063	78,035	1.6%
Materials and Supplies	44,860,662	43,768,383	1,092,279	2.5%
Utilities	12,903,962	10,667,900	2,236,062	21.0%
Telecommunications	2,247,850	2,295,874	(48,024)	-2.1%
Repairs and Maintenance	4,574,856	3,628,466	946,390	26.1%
Rentals and Leases	9,962,785	10,286,557	(323,772)	-3.1%
Printing and Reproduction	3,055,971	3,225,703	(169,732)	-5.3%
Bad Debt Expense	-	3,929	(3,929)	-100.0%
Federal Sponsored Programs Pass-Thrus	4,390,536	5,038,136	(647,600)	-12.9%
Depreciation and Amortization	26,470,851	22,894,505	3,576,346	15.6%
Other Operating Expenses	44,328,375	40,934,022	3,394,353	8.3%
Total Operating Expenses	**579,768,546**	**556,511,870**	**23,256,676**	**4.2%**
Operating Loss	**(124,573,626)**	**(125,231,972)**	**658,346**	**0.5%**
Other Nonoperating Adjustments				
State Appropriations	126,654,243	124,886,593	1,767,650	1.4%
Gift Contributions for Operations	9,220,774	24,017,366	(14,796,592)	-61.6%
Net Investment Income	15,534,052	11,685,499	3,848,553	32.9%
Long Term Fund Distribution	4,126,648	3,745,854	380,794	10.2%
Interest Expense on Capital Asset Financings	(6,237,290)	(7,372,096)	1,134,806	15.4%
Net Other Nonoperating Adjustments	**149,298,427**	**156,963,216**	**(7,664,789)**	**-4.9%**
Adjusted Income (Loss) including Depreciation	**24,724,801**	**31,731,244**	**(7,006,443)**	**-22.1%**
Adjusted Margin (as a percentage) including Depreciation	**4.0%**	**5.3%**		
Investment Gains (Losses)	12,831,231	(2,810,888)	15,642,119	556.5%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 37,556,032**	**$ 28,920,356**	**$ 8,635,676**	**29.9%**
Adjusted Margin % with Investment Gains (Losses)	**6.0%**	**4.9%**		
Adjusted Income (Loss) excluding Depreciation	**51,195,652**	**54,625,749**	**(3,430,097)**	**-6.3%**
Adjusted Margin (as a percentage) excluding Depreciation	**8.4%**	**9.2%**		

Note: *UT Health Science Center at Houston received $20.1 million of Texas Physician Upper Payment Limit reimbursements in 2007. These funds are only allowed to be used by the Physician Practice Plan to enhance patient services.*

UNAUDITED

The University of Texas Health Science Center at San Antonio

Comparison of Operating Results and Margin

For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 17,666,667	$ 18,882,742	$ (1,216,075)	-6.4%
Sponsored Programs	166,173,601	155,887,161	10,286,440	6.6%
Net Sales and Services of Educational Activities	18,947,916	18,226,548	721,368	4.0%
Net Professional Fees	77,430,045	66,944,618	10,485,427	15.7%
Net Auxiliary Enterprises	2,821,112	3,132,322	(311,210)	-9.9%
Other Operating Revenues	26,753,648	23,643,416	3,110,232	13.2%
Total Operating Revenues	**309,792,989**	**286,716,807**	**23,076,182**	**8.0%**
Operating Expenses				
Salaries and Wages	239,994,382	230,010,342	9,984,040	4.3%
Employee Benefits and Related Costs	58,953,746	56,461,139	2,492,607	4.4%
Professional Fees and Contracted Services	9,045,871	8,798,801	247,070	2.8%
Other Contracted Services	17,868,495	13,139,085	4,729,410	36.0%
Scholarships and Fellowships	2,340,046	1,376,968	963,078	69.9%
Travel	4,025,997	3,963,854	62,143	1.6%
Materials and Supplies	27,202,834	28,109,486	(906,652)	-3.2%
Utilities	10,833,333	9,921,429	911,904	9.2%
Telecommunications	4,931,395	4,462,263	469,132	10.5%
Repairs and Maintenance	2,376,454	1,994,929	381,525	19.1%
Rentals and Leases	1,835,971	2,155,399	(319,428)	-14.8%
Printing and Reproduction	1,382,907	1,526,002	(143,095)	-9.4%
Federal Sponsored Programs Pass-Thrus	520,833	437,953	82,880	18.9%
Depreciation and Amortization	20,833,333	19,262,892	1,570,441	8.2%
Other Operating Expenses	52,949,417	58,601,590	(5,652,173)	-9.6%
Total Operating Expenses	**455,095,014**	**440,222,132**	**14,872,882**	**3.4%**
Operating Loss	**(145,302,025)**	**(153,505,325)**	**8,203,300**	**5.3%**
Other Nonoperating Adjustments				
State Appropriations	124,152,492	126,119,203	(1,966,711)	-1.6%
Gift Contributions for Operations	15,466,275	2,339,316	13,126,959	561.1%
Net Investment Income	20,212,867	19,309,703	903,164	4.7%
Long Term Fund Distribution	3,919,502	3,430,819	488,683	14.2%
Interest Expense on Capital Asset Financings	(4,033,510)	(4,995,074)	961,564	19.3%
Net Other Nonoperating Adjustments	**159,717,626**	**146,203,967**	**13,513,659**	**9.2%**
Adjusted Income (Loss) including Depreciation	**14,415,601**	**(7,301,358)**	**21,716,959**	**297.4%**
Adjusted Margin (as a percentage) including Depreciation	**3.0%**	**-1.7%**		
Investment Gains (Losses)	11,441,723	(1,417,628)	12,859,351	907.1%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 25,857,324**	**$ (8,718,986)**	**$ 34,576,310**	**396.6%**
Adjusted Margin % with Investment Gains (Losses)	**5.3%**	**-2.0%**		
Adjusted Income (Loss) excluding Depreciation	**35,248,934**	**11,961,534**	**23,287,400**	**194.7%**
Adjusted Margin (as a percentage) excluding Depreciation	**7.4%**	**2.7%**		

Note: *UT Heatlh Science Center San Antonio received $11.9 million of Texas Physician Upper Payment Limit reimbursements in 2007. These funds are only allowed to be used by the Physician Practice Plan to enhance patient services.*

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 410,363	$ 314,047	$ 96,316	30.7%
Sponsored Programs	196,984,025	186,544,256	10,439,769	5.6%
Net Sales and Services of Educational Activities	1,990,451	1,501,738	488,713	32.5%
Net Sales and Services of Hospitals	1,399,016,670	1,253,015,228	146,001,442	11.7%
Net Professional Fees	226,989,394	196,133,134	30,856,260	15.7%
Net Auxiliary Enterprises	20,800,502	19,414,650	1,385,852	7.1%
Other Operating Revenues	22,709,376	15,274,524	7,434,852	48.7%
Total Operating Revenues	**1,868,900,781**	**1,672,197,577**	**196,703,204**	**11.8%**
Operating Expenses				
Salaries and Wages	926,982,728	843,716,147	83,266,581	9.9%
Employee Benefits and Related Costs	244,630,843	224,115,738	20,515,105	9.2%
Professional Fees and Contracted Services	79,154,623	66,333,041	12,821,582	19.3%
Other Contracted Services	57,513,131	54,843,283	2,669,848	4.9%
Travel	16,903,373	14,085,980	2,817,393	20.0%
Materials and Supplies	351,008,096	340,350,566	10,657,530	3.1%
Utilities	41,280,251	46,247,278	(4,967,027)	-10.7%
Telecommunications	5,203,507	6,185,406	(981,899)	-15.9%
Repairs and Maintenance	38,657,831	32,945,436	5,712,395	17.3%
Rentals and Leases	25,652,743	25,177,698	475,045	1.9%
Federal Sponsored Programs Pass-Thrus	584,975	1,051,382	(466,407)	-44.4%
Depreciation and Amortization	154,995,423	149,056,123	5,939,300	4.0%
Other Operating Expenses	2,493,566	2,471,473	22,093	0.9%
Total Operating Expenses	**1,945,061,090**	**1,806,579,551**	**138,481,539**	**7.7%**
Operating Loss	**(76,160,309)**	**(134,381,974)**	**58,221,665**	**43.3%**
Other Nonoperating Adjustments				
State Appropriations	133,023,363	131,815,307	1,208,056	0.9%
Gift Contributions for Operations	59,185,190	51,457,336	7,727,854	15.0%
Net Investment Income	34,343,670	29,062,178	5,281,492	18.2%
Long Term Fund Distribution	11,620,918	11,001,911	619,007	5.6%
Interest Expense on Capital Asset Financings	(26,612,020)	(24,467,009)	(2,145,011)	-8.8%
Net Other Nonoperating Adjustments	**211,561,121**	**198,869,723**	**12,691,398**	**6.4%**
Adjusted Income (Loss) including Depreciation	**135,400,812**	**64,487,749**	**70,913,063**	**110.0%**
Adjusted Margin (as a percentage) including Depreciation	**6.4%**	**3.4%**		
Investment Gains (Losses)	109,004,536	26,458,478	82,546,058	312.0%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 244,405,348**	**$ 90,946,227**	**$ 153,459,121**	**168.7%**
Adjusted Margin % with Investment Gains (Losses)	**11.0%**	**4.7%**		
Adjusted Income (Loss) excluding Depreciation	**290,396,235**	**213,543,872**	**76,852,363**	**36.0%**
Adjusted Margin (as a percentage) excluding Depreciation	**13.8%**	**11.3%**		

Note: *UT M. D. Anderson Cancer Center received $12.3 million of Texas Physician Upper Payment Limit reimbursements in 2007. These funds are only allowed to be used by the Physician Practice Plan to enhance patient services.*

UNAUDITED

The University of Texas Health Center at Tyler
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2007

	June Year-to-Date FY 2007	June Year-to-Date FY 2006	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	$ 11,535,329	$ 11,924,901	$ (389,572)	-3.3%
Net Sales and Services of Educational Activities	713,240	826,142	(112,902)	-13.7%
Net Sales and Services of Hospitals	37,245,027	38,477,916	(1,232,889)	-3.2%
Net Professional Fees	12,399,661	9,743,659	2,656,002	27.3%
Net Auxiliary Enterprises	153,965	218,782	(64,817)	-29.6%
Other Operating Revenues	1,469,518	2,215,606	(746,088)	-33.7%
Total Operating Revenues	**63,516,740**	**63,407,006**	**109,734**	**0.2%**
Operating Expenses				
Salaries and Wages	43,174,232	49,434,835	(6,260,603)	-12.7%
Employee Benefits and Related Costs	11,857,961	12,454,315	(596,354)	-4.8%
Professional Fees and Contracted Services	4,687,732	3,901,874	785,858	20.1%
Other Contracted Services	6,054,150	6,201,943	(147,793)	-2.4%
Travel	461,622	466,302	(4,680)	-1.0%
Materials and Supplies	10,630,771	12,516,383	(1,885,612)	-15.1%
Utilities	2,695,565	2,354,259	341,306	14.5%
Telecommunications	553,418	557,051	(3,633)	-0.7%
Repairs and Maintenance	2,603,704	2,216,406	387,298	17.5%
Rentals and Leases	963,545	1,084,587	(121,042)	-11.2%
Printing and Reproduction	19,805	142,950	(123,145)	-86.1%
Federal Sponsored Programs Pass-Thrus	380,473	548,861	(168,388)	-30.7%
Depreciation and Amortization	5,254,441	4,820,952	433,489	9.0%
Other Operating Expenses	2,392,873	2,683,270	(290,397)	-10.8%
Total Operating Expenses	**91,730,292**	**99,383,988**	**(7,653,696)**	**-7.7%**
Operating Loss	**(28,213,552)**	**(35,976,982)**	**7,763,430**	**21.6%**
Other Nonoperating Adjustments				
State Appropriations	31,208,003	32,283,093	(1,075,090)	-3.3%
Gift Contributions for Operations	476,047	476,669	(622)	-0.1%
Net Investment Income	2,967,275	2,725,261	242,014	8.9%
Long Term Fund Distribution	322,955	304,642	18,313	6.0%
Interest Expense on Capital Asset Financings	(522,220)	(727,934)	205,714	28.3%
Net Other Nonoperating Adjustments	**34,452,060**	**35,061,731**	**(609,671)**	**-1.7%**
Adjusted Income (Loss) including Depreciation	**6,238,508**	**(915,251)**	**7,153,759**	**781.6%**
Adjusted Margin (as a percentage) including Depreciation	**6.3%**	**-0.9%**		
Investment Gains (Losses)	-	24,657	(24,657)	-100.0%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 6,238,508**	**$ (890,594)**	**$ 7,129,102**	**800.5%**
Adjusted Margin % with Investment Gains (Losses)	**6.3%**	**-0.9%**		
Adjusted Income (Loss) excluding Depreciation	**11,492,949**	**3,905,701**	**7,587,248**	**194.3%**
Adjusted Margin (as a percentage) excluding Depreciation	**11.7%**	**3.9%**		

Note: *UT Health Center at Tyler received $3.7 million of Texas Physician Upper Payment Limit reimbursements in 2007. These funds are only allowed to be used by the Physician Practice Plan to enhance patient services.*

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

The University of Texas System
Fiscal Year 2008 Request to Exceed Full-time Equivalent Limitations on Appropriated Funds

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Increase to Salaries	Source of Funds	Justification
U. T. Arlington						
Instruction	10.00	-	10.00	1,000,000	Education & General	To achieve goals outlined in the Texas Higher Education Coordinating Board Closing the Gaps relative to participation, success, excellence, and research by teaching more undergraduate and graduates with experienced and professional faculty. This request supports U. T. Arlington's research goals.
TOTAL	**10.00**	**-**	**10.00**	**$1,000,000**		
U. T. Brownsville						
Instruction	126.47	66.43	192.90	10,698,968	Education & General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract. FTEs for this function include faculty, professional, and classified staff in departments providing lower level instruction.
Academic Support	-	8.45	8.45	251,859	Education & General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract. The FTEs for this function include administrative & professional, classified staff, and support staff for various departments.
Public Service	1.70	3.66	5.36	231,876	Education & General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract. The FTEs for this function include faculty, administrative & professional, classified staff, and support staff for various departments.
Institutional Support	-	43.63	43.63	1,880,195	Education & General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract. The FTEs for this function include administrative & professional, classified staff, and support staff for various departments.
Student Support	-	25.59	25.59	902,591	Education & General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract. The FTEs for this function include administrative & professional, classified staff, and support staff for various departments.
Operations and Maintenance	-	4.04	4.04	98,598	Education & General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract. The FTEs for this function include classified staff and support staff for various departments.
Scholarships and Fellowships	-	1.25	1.25	25,298	Education & General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract. The FTEs for this function include classified staff and support staff for various departments.
TOTAL	**128.17**	**153.05**	**281.22**	**$14,089,385**		

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

The University of Texas System
Fiscal Year 2008 Request to Exceed Full-time Equivalent Limitations on Appropriated Funds

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Increase to Salaries	Source of Funds	Justification
U. T. El Paso						
Instruction	12.50	2.50	15.00	841,000	Education & General	Additional full-time faculty, part-time lecturers, teaching assistants, and staff are needed to meet increased demands resulting from enrollment growth.
Research	5.00	10.00	15.00	901,700	Education & General	New research faculty positions in strategic areas of interest. Student and lab technician support for new faculty to support strategic research initiatives.
TOTAL	**17.50**	**12.50**	**30.00**	**$1,742,700**		
U. T. San Antonio						
Instruction	36.20	-	36.20	2,298,400	Education & General	Hiring additional faculty is a critical priority and will improve access to classes needed for degree progress and hence, graduation rate improvement.
Operations and Maintenance	-	1.30	1.30	30,250	Education & General	Hiring additional service personnel is critical as new facilities come on line.
TOTAL	**36.20**	**1.30**	**37.50**	**$2,328,650**		
U. T. Tyler						
Instruction	18.61	2.67	21.28	2,352,521	Education & General	To address rapid enrollment growth and to achieve goals enumerated in the Access and Affordability Initiatives by teaching more undergraduates with experienced and professional faculty.
Academic Support	-	1.35	1.35	53,211	Education & General	To support new faculty as addressed above.
Institutional Support	-	6.33	6.33	667,898	Education & General	To provide an increase in support staff for university advancement and other areas affected by growth. To support quality services to students, faculty, and staff on a campus that has experienced rapid enrollment growth during the last seven years.
Student Support	-	4.08	4.08	327,859	Education & General	To provide increased support to student service activities such as academic advising and student success in accordance with the compact.
Operations and Maintenance	-	2.87	2.87	154,208	Education & General	To provide increased support to grounds maintenance area that will serve new buildings resulting from rapid physical growth of the university.
TOTAL	**18.61**	**17.30**	**35.91**	**$3,555,697**		

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

The University of Texas System
Fiscal Year 2008 Request to Exceed Full-time Equivalent Limitations on Appropriated Funds

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Increase to Salaries	Source of Funds	Justification
U. T. Southwestern Medical Center - Dallas						
Research	3.50	1.30	4.80	500,000	Education & General	To provide the appropriate staff for the new special item, Center for Treatment and Research on Sickle Cell Disease.
Research	50.00	59.00	109.00	9,000,000	Education & General	To provide the appropriate staff for the new special item, Obesity, Diabetes & Metabolism research.
Instruction	301.90	132.50	434.40	20,959,800	Education & General	The requested FTEs represent existing employees excluded from the October submission of the Legislative Appropriations Request, which forms the basis for this request.
Research	18.00	22.60	40.60	1,958,950	Education & General	The requested FTEs represent existing employees excluded from the October submission of the Legislative Appropriations Request, which forms the basis for this request.
Operations and Maintenance	-	186.30	186.30	8,988,975	Education & General	The requested FTEs represent existing employees excluded from the October submission of the Legislative Appropriations Request, which forms the basis for this request.
TOTAL	**373.40**	**401.70**	**775.10**	**$41,407,725**		
U. T. M. D. Anderson Cancer Center						
Instruction	7.48	35.07	42.55	3,661,389	Patient Income	To continue to provide the highest standard of education and training for undergraduates, graduate students, trainees, and professionals.
Research	4.02	79.82	83.84	4,865,357	Patient Income	To continue to provide research programs with support and resources needed to fulfill the research mission of U. T. M. D. Anderson Cancer Center.
Hospitals and Clinics	33.35	731.23	764.58	47,311,506	Patient Income	To continue to provide U. T. M. D. Anderson Cancer Center's standard of care and service to the increasing number of patients and to improve the capacity to deliver cancer care.
Institutional Support	-	75.50	75.50	5,499,584	Patient Income	To provide infrastructure support to effectively manage resources and information systems needed to support growth in the mission areas of instruction, patient care, and research.
Operations and Maintenance	-	157.08	157.08	6,600,185	Patient Income	To provide support for additional facilities and infrastructure that support growth in instruction, patient care, and research.
TOTAL	**44.85**	**1,078.70**	**1,123.55**	**$67,938,021**		
U. T. System Administration						
Institutional Support	-	10.00	10.00	675,000	Education & General	To meet strategic initiatives in support of academic institutions; to meet requests for services from institutions; Board of Regents initiatives and to provide financial oversight.
TOTAL	**-**	**10.00**	**10.00**	**$675,000**		

5. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2008

The University of Texas at Arlington
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	437
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 3,381,723
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 763,805

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	6.50%
Proposed **FY 2008** ORP Contribution Rate	7.00%
Anticipated **FY 2008** Number of Participants	345
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 1,784,077
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ -
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 150,000
Incremental Cost of **FY 2008** Rate Change	$ 150,000

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

U. T. Arlington's goal is to increase the ORP matching rate by .5% each fiscal year until the matching rate is 8.5% for all ORP eligible employees. This goal is an important faculty recruiting and retention incentive. Immediately increasing the ORP matching rate to the full 8.5% would cost U. T. Arlington an additional $450,000 per fiscal year. Since the FY 2008 budget is using balances, increasing the ORP rate beyond the proposed 7.0% would compound the deficit. Numerous initiatives are being implemented in the FY 2008 budget to increase enrollment (SCH production) and to retain faculty, staff, and students. Sixteen new faculty are being recruited to improve teaching workloads and to place more tenured and tenure-track faculty in the undergraduate classrooms. To date, the faculty recruiting efforts have been successful with the understanding that the ORP matching rate will increase each year until it reaches the matching rate of 8.5% for all ORP participants.

The University of Texas at Austin
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	1,361
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 16,243,713
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 3,669,168

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	7.00%
Proposed **FY 2008** ORP Contribution Rate	7.50%
Anticipated **FY 2008** Number of Participants	1,390
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 8,784,550
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 491,935
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 1,077,572
Incremental Cost of **FY 2008** Rate Change	$ 585,637

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

Retirement benefits are an important recruiting and retention factor for faculty and administrative positions. Since the legislature permitted matching up to 8.5%, UT Austin has been on a plan for the last few years to increase the ORP matching rate to this level in .5% increments. The rate for FY 05-06 went from 6% to 6.5%, in FY 06-07 to 7%, and the plan for FY 07-08 is to go to 7.5%.

This plan to get to 8.5% over five years for nongrandfathered employees was part of a 2005 agreement between President Faulkner of UT Austin and President Wildenthal of UT Southwestern Medical Center at Dallas. Both felt that funding the salary program for faculty and staff each year took precedent over increasing the ORP matching rate for nongrandfathered employees and that a phased approach was warranted. President Powers concurs with this phased approach.

The University of Texas at Brownsville
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	136
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 779,551
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 176,087

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	6.00%
Proposed **FY 2008** ORP Contribution Rate	6.58%
Anticipated **FY 2008** Number of Participants	154
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 576,566
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ -
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ -
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

For FY 2008, the currently proposed budget presents a $725,000 use of fund balance in the E&G fund. The use of fund balance in the upcoming fiscal year specifically affords the opportunity to add 10 additional new faculty. The funding for an increased ORP contribution rate would cause additional use of fund balance and was not as high of a priority as additional instructional staff for the University.

5. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2008 (cont.)

The University of Texas at Dallas
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	201
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 1,806,730
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 408,320

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	7.00%
Proposed **FY 2008** ORP Contribution Rate	7.50%
Anticipated **FY 2008** Number of Participants	315
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 2,531,030
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 141,925
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 311,315
Incremental Cost of **FY 2008** Rate Change	$ 169,390

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

As recruitment and retention of exceptional faculty continues to be a high priority for institutions, enhancing the competitive edge, where possible, is a critical component of U. T. Dallas' goals. Providing an ORP contribution rate above 6.58% for FY 2008 allows U. T. Dallas to continue to attract the nation's best scholars and researchers. It also allows the University to continue with the current plan of increasing the contribution rate 0.5% each year until the maximum contribution rate of 8.50% is reached. This multiyear plans allows the University to continue funding benefit and compensation goals, as well as meeting other priority funding needs related to the U. T. Dallas Strategic Plan.

The University of Texas at El Paso
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	248
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 1,606,745
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 362,935

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	6.00%
Proposed **FY 2008** ORP Contribution Rate	6.58%
Anticipated **FY 2008** Number of Participants	405
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 1,708,487
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ -
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ -
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

U. T. El Paso will not increase contributions above the required 6.58% in order to direct resources to instructional costs, such as faculty salaries (new faculty, merit, and market adjustments). Other mission critical priorities include student advising and expanding sponsored research activities.

The University of Texas - Pan American
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	165
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	1,029,832
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	232,621

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	7.00%
Proposed **FY 2008** ORP Contribution Rate	7.50%
Anticipated **FY 2008** Number of Participants	243
Anticipated **FY 2008 Total** Cost of Funding Contributions	1,162,091
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	65,077
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	142,549
Incremental Cost of **FY 2008** Rate Change	$ 77,472

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

U. T. Pan American made a commitment in 2006 to the faculty that the ORP contribution rate would be increased by .5% each year until it reached 8.5%. This benefit is absolutely critical to U. T. Pan American, positioned as it is away from more progressive metropolitan areas, to attract quality professional employees and faculty. However, like other institutions, U. T. Pan American is challenged to address the many areas of need and unable to move towards the full 8.5% ORP rate immediately. Many initiatives are, by necessity, modest. Each 0.5% increase in the ORP rate would cost an estimated $77,472 thus moving to 8.5% in Fiscal Year 2008 would have cost approximately $232,416. U. T. Pan American remains hopeful that we might be able to move towards the full 8.5% rate in Fiscal Year 2009.

The University of Texas of the Permian Basin
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	33
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 220,991
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 49,918

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	8.50%
Proposed **FY 2008** ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	73
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 358,324
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 80,939
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 80,939
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

The proposed nongrandfathered employee rate of 8.5% will supplement the State approved rate of 6.58% and provide equity with the grandfathered employee rate. The rate may also help in recruiting and retention of faculty and eligible staff.

The University of Texas at San Antonio
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	290
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 2,111,436
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 476,936

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	8.50%
Proposed **FY 2008** ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	412
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 2,264,209
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 511,445
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 511,445
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

To attract and retain qualified academic administrators and faculty, benefit packages must be competitive with both public and private employers. Thus U. T. San Antonio has decided to match the ORP employee contributions with an 8.5% match.

The University of Texas at Tyler
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	94
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 590,498
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 133,383

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	8.50%
Proposed **FY 2008** ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	159
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 886,448
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 200,233
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 200,233
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

U. T. Tyler decided to increase the rate above 6.58% to 8.5% for recruitment purposes. U. T. Tyler needs to compete with market rates in order to acquire quality recruits and retention of faculty and administrative and professional employees.

5. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2008 (cont.)

The University of Texas Southwestern Medical Center at Dallas
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	498
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 7,596,696
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 1,715,959

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	7.00%
Proposed **FY 2008** ORP Contribution Rate	7.50%
Anticipated **FY 2008** Number of Participants	1,275
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 10,483,118
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 587,055
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 1,285,929
Incremental Cost of **FY 2008** Rate Change	$ 698,875

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

U. T. Southwestern Medical Center - Dallas' current ORP contribution rate is at 7.0%, slightly above the State minimum of 6.58%. We plan to increase the ORP matching contribution rate by half a point to 7.5% beginning Fiscal Year 2008. This increase is necessary to provide for a competitive compensation package for the faculty. This compensation package, which includes both salary and benefits, is required to recruit and retain world class physicians and researchers. U. T. Southwestern Medical Center - Dallas currently has a plan in place to increase the ORP rate for nongrandfathered employees at a rate of 0.5% per year over a period of 5 years with the goal of achieving 8.5% by FY 2010. Due to budgetary constraints, we will not be able to increase the ORP rate to 8.5% in one installment as we also need to address other competing needs such as faculty salaries and faculty and student support.

The University of Texas Medical Branch at Galveston
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	1,126
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 8,400,462
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 1,897,516

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	8.50%
Proposed **FY 2008** ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	617
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 7,726,608
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 1,745,304
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 1,745,304
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

U. T. Medical Branch - Galveston has for several years chosen to match at 8.5% in order to be competitive in the marketplace. Recognizing that while some form of employer match or contribution is fairly common in the health care/academic industry, this 8.5% match has been and continues to be an effective tool to allow U. T. Medical Branch - Galveston to retain a high caliber of faculty and administrators. The FY08 proposed rate of 8.5% remains the same as the approved FY07 rate.

The University of Texas Health Science Center at Houston
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	472
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 5,930,470
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 1,339,589

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	6.00%
Proposed **FY 2008** ORP Contribution Rate	6.58%
Anticipated **FY 2008** Number of Participants	650
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 5,894,180
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ -
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ -
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

The U. T. Health Science Center - Houston's recommended ORP rate for nongrandfathered employees will remain at 6.58% for FY 2008. A decision was made to dedicate equivalent funds to support retention of existing faculty and staff through the creation of a salary merit pool.

5. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2008 (cont.)

The University of Texas Health Science Center at San Antonio
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	481
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 5,343,391
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 1,206,978

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	6.00%
Proposed **FY 2008** ORP Contribution Rate	6.58%
Anticipated **FY 2008** Number of Participants	650
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 5,195,761
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ -
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ -
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

The U. T. Health Science Center - San Antonio has elected not to increase the ORP contribution rate above the 6.58% set forth in the General Appropriations Act. It is our strategy to invest these funds in salary increases for both faculty and staff, as well as to dedicate these funds to support key retention and recruitment needs. We are choosing to direct the difference between the 6.58% and 8.5% to address compensation, particularly faculty compensation, in a more targeted manner based upon merit and performance and market competitiveness versus simply the timing of ORP participation.

The University of Texas M. D. Anderson Cancer Center
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	511
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 9,590,842
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 2,166,401

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	8.50%
Proposed **FY 2008** ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	949.00
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 14,065,343
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 3,177,113
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 3,177,113
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

The FY 2008 rate should be above 6.58% so that it is equitable with the employees hired before 9/1/1995 and to provide a competitive retirement contribution for senior and executive management.

The University of Texas Health Center at Tyler
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	44
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 448,479
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 101,303

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

Approved **FY 2007** ORP Contribution Rate	8.50%
Proposed **FY 2008** ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	44
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 992,931
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 197,277
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 197,277
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

The maximum employer rate established in the ORP statute is currently 8.5%. U. T. Health Center - Tyler uses an 8.5% contribution rate to improve recruitment and retention efforts, due to the rural location where there is a limited labor pool. The FY 2008 rate is the same as for FY 2007.

The University of Texas System Administration
Optional Retirement Program Survey
FY 2008

NOTE: Provide information ONLY for employees hired before 9/1/1995 who are grandfathered to a contribution rate of 8.5%.

FY 2007 and FY 2008 ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	34
Anticipated **FY 2008** Cost of Funding Contributions at 8.5%	$ 381,630
Anticipated **FY 2008** Cost of Funding Contributions above 6.58%	$ 86,203

NOTE: Provide information ONLY for employees hired 9/1/1995 or later who have a base contribution rate of 6.58% and may receive an additional contribution of up to 1.92% at the option of the local institution and the Board of Regents.

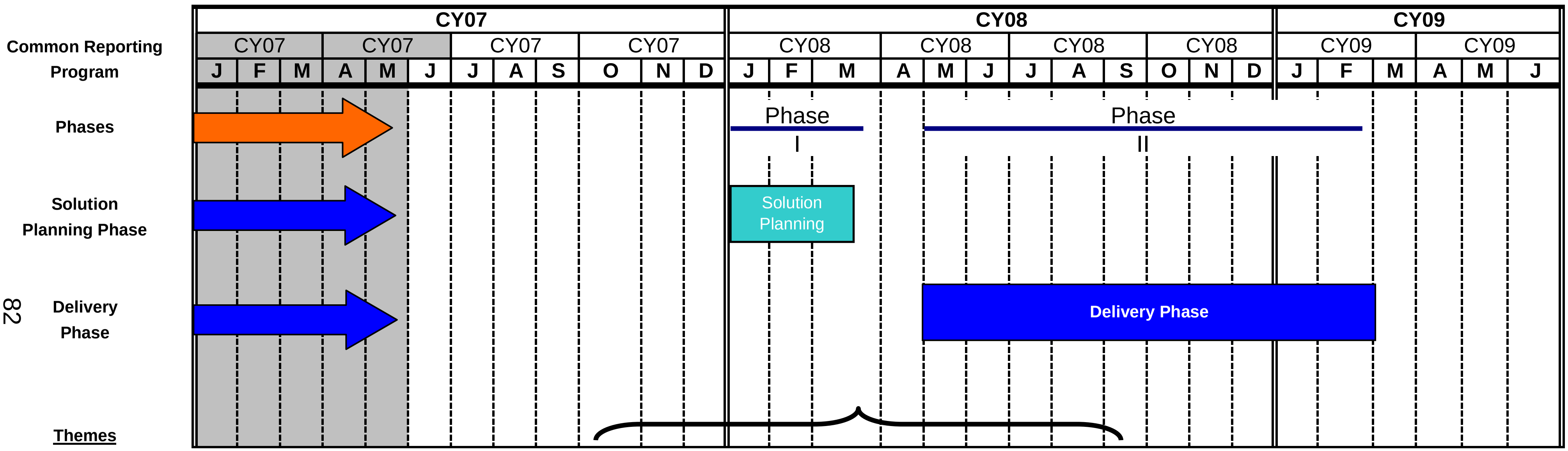
Approved **FY 2007** ORP Contribution Rate	8.50%
Proposed **FY 2008** ORP Contribution Rate	8.50%
Anticipated **FY 2008** Number of Participants	40
Anticipated **FY 2008 Total** Cost of Funding Contributions	$ 478,637
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2007** Contribution Rate	$ 108,114
Anticipated **FY 2008** Cost of Funding Contributions Above 6.58% Based on **FY 2008** Contribution Rate	$ 108,114
Incremental Cost of **FY 2008** Rate Change	$ -

Justification as to why the FY 2008 rate should be above 6.58% and why the rate should be increased above the FY 2007 rate (if applicable):

Establishing the rate for nongrandfathered ORP participants at 8.5% allows for equity in retirement contributions between similarly situated employees without regard to when they began their ORP eligible service. The incremental cost across all salary funding sources is minimal.

6. U. T. System: Discussion regarding estimated costs associated with the System-wide common chart of accounts initiative

COMMON CHART OF ACCOUNTS
PROJECT ROADMAP



	Low	High	Median	
License $	$ 350 k	$ 650 k	$ 500 k	License $
Maintenance $	$ 70 k	$ 130 k	$ 100 k	Maintenance $
Training $	$ 75 k	$ 125 k	$ 100 k	Training $
Consulting $	$ 1400 k	$ 2200 k	$ 1800 k	Consulting $
Hardware $	$ 150 k	$ 200 k	$ 175 k	Hardware $
Total $ Estimate	$ 2,045 k	$ 3,305 k	$ 2,675 k	Total $ Estimate
Duration (Weeks)	32 wks	46 wks	38 wks	Duration (Weeks)

6. U. T. System: Discussion regarding estimated costs associated with the System-wide common chart of accounts initiative (cont.)

COMMON CHART OF ACCOUNTS
TOTAL PROJECT COST

	Planning Phase (Phase I)	Delivery Phase (Phase II)		TOTAL		
		Low	High	Low	High	Median
Alvarez & Marsal	$549,680	-	-	$549,680	$549,680	$549,680
License		$350,000	$650,000	350,000	650,000	500,000
Maintenance		70,000	130,000	70,000	130,000	100,000
Training		75,000	125,000	75,000	125,000	100,000
Consulting		1,400,000	2,200,000	1,400,000	2,200,000	1,800,000
Hardware		150,000	200,000	150,000	200,000	175,000
	$549,680	$2,045,000	$3,305,000	$2,594,680	$3,954,680	$3,224,680

Fees do not include reimbursement for travel expenses, which are estimated at 10-15% of the consulting fees.

There will be a separate RFP for the Delivery Phase and may or may not result in using Alvarez & Marsal.

UT System Administration Policy Library -- Policy UTS166

CASH MANAGEMENT AND CASH HANDLING POLICY

Responsible Officer: Associate Vice Chancellor for Finance
Sponsoring Office: Office of Finance
Effective Date: September 1, 2007
Last Reviewed:
Next Scheduled Review: September 1, 2011
Errors or changes to: policyoffice@utsystem.edu

Exempted from Standard Policy Development Process By: Date:

CONTENTS

POLICY STATEMENT

The purpose of cash management is to fulfill the fiduciary responsibilities of the System and its institutions in handling, securing, and investing the funds of the System. Cash management policies and controls assure the safety of System assets, provide required liquidity for operations, obtain the best banking relationships, and attain reasonable returns on all funds. Guidelines for internal institution policies, establishment of controls and procedures, and reasonable limitations on daily operations support this goal.

The System is a large, decentralized and complex organization that serves many functions which requires comprehensive yet flexible policies and procedures that can be applied as best practices throughout. Management in each institution must oversee and enforce these policies to fulfill our fiduciary responsibilities. The policy addresses various functional areas of cash management applicable to all those institutions including: cash flow analysis, collections and disbursements, cash handling and transport, petty cash, and full investment.

This Policy is designed to institute controls and standardize cash management policy elements across the System. Unique institutional requirements may require minor deviations from this policy. Any substantive change must be reviewed and approved by the System Office of Finance.

RATIONALE

Viable and effective cash management policies and procedures will assist the System in meeting its fiduciary responsibilities.

SCOPE

All institutions and UT System Administration

WEBSITE ADDRESS FOR THIS POLICY

http://www.utsystem.edu/policy/ov/uts166.html

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Policies & Standards
UTS167, *Banking Services Policy*	

CONTACTS

If you have any questions about UT System Administration Policy UTS166, *Cash Management and Cash Handling Policy*, contact the following office:

Office	Telephone	Email/URL
Office of Finance	512-499-4374	http://www.utsystem.edu/fin/contact.html

DEFINITIONS

Accounts Receivable
Accounts due and payable to the System.

ACH
Automated Clearing House transactions governed by the National Automated Clearing House Association (NACHA) and controlled through the System banking services agreement.

Cash Management
The application of best practices to control the flow of cash and cash equivalents throughout the System. Cash management policies are directed at all aspects of collections, disbursements, investments, and debt management.

Cash flow analysis
The matching of revenues and expenses to determine liabilities and cash availability in any given time period. For treasury investment and planning purposes, cash flow analysis is normally sufficient on a monthly basis with maintenance of a liquidity buffer. For daily cash positioning, cash flow analysis is needed on a daily basis to minimize the need for fund transfers and adjustments. The object of cash flow analysis is to determine a cash balance projection based on several periods of operating data.

Change Fund
Funds maintained by individual departments authorized to handle cash to be utilized for the sole purpose of carrying on their cashiering operation and not for the purpose of obtaining miscellaneous items, paying for minor unanticipated operating expenses, cashing employee checks, or making loans for any reason.

Deposits
To include all payments of coin, currency, checks, electronic media and all negotiable instruments (not required to be deposited in the State Treasury).

Float
The mail, processing, or clearing time needed for funds processing. Float is a cost to the System until funds are deposited in the System's accounts with benefit accruing to the System.

Liquidity
The ability of an asset to be converted quickly to cash without a material loss of value. Within an organization, liquidity relies on access to cash or the ability to meet anticipated and unanticipated expenses without loss of underlying value.

Petty Cash

Funds maintained by individual departments in cash form for the purpose of obtaining miscellaneous items or paying for minor unanticipated operating expenses. Bank accounts established for transactions are not petty cash funds.

80/20 Rule
A general rule in cash analysis that limits the amount of data necessary for viable analyses. The rule states that 80% of revenues come from 20% of the sources and that 80% of expenditures go to 20% of the uses (an example would be payroll representing the majority of expenses). The rule allows a simplified data collection in a timely manner increasing the viability and use of the data.

RESPONSIBILITIES

Associate Vice Chancellor for Finance

- promulgate this policy for all institutions of the U.T. System

Chief Business Officer (CBO) or their designee

- establish operational procedures to support these policies
- ensure that independent or internal audits are performed on a periodic basis for cash handling, collections and aged receivables based on risk assessment priorities
- ensure the adequacy and effectiveness of internal controls regarding financial, regulatory, and legal compliance
- implement a cash flow analysis for the institution, provide for monthly updates, and review the analysis and its results at least quarterly to determine if strategic changes are necessary
- create internal procedures to require diligent collection of accounts receivable in both centralized and decentralized circumstances
- institute collection of client payments by electronic means above $5,000, if at all possible
- assign clear responsibility for collections management
- assure conformity to the Fair Debt Collection Practices Act
- contract with a collections service, if necessary, to achieve acceptable collection rates
- provide for the training of all cash handlers prior to or within six months of assumption of duties.
- establish institution specific procedures supporting this policy for the receipt, handling, balancing, and depositing of all cash and receipts on a daily basis.
- establish a payables system utilizing electronic payments wherever possible to target payments on the maximum due date and to avoid delinquent penalties
- provide operating procedures to ensure timely payments
- approve and act as one of the signatories on <u>each</u> bank account established
- approve new merchant accounts (used for processing credit, debit and other card payment transactions) and ensure all merchant accounts follow the card services agreement(s) between the System (and/or institution) and card/merchant service provider(s)

Cash Handlers

- obtain and successfully complete institution-provided cash handling training prior to or within six months of assumption of cash handling responsibilities.
- alert the appropriate supervisor of any loss or theft of cash immediately upon its discovery and provide written notice of such loss or theft within 24 hours of occurrence.

Auditors

- collaborate with CBO to develop and maintain the system of procedures and provide for periodic audits of those procedures on a risk assessment priority basis
- provide for spot audits as necessary on cash handling locations and personnel

PROCEDURES

CASH FLOW ANALYSIS

The analysis and use of historical and forecast data to determine anticipated cash flow patterns provides a basis for reasoned expectations on needed liquidity and provides for extension of maturities in investments without a risk to liquidity. Cash positioning analysis, done on a daily, or at a minimum, weekly basis, protects liquidity. Cash flow analysis done on a monthly basis allows for cash and budgetary planning. Periodic updates and multi-year historical bases improve the information by eliminating single year aberrations in cash flow patterns. Cash flow analysis reduces liquidity risk throughout the System.

Cash positioning and cash flow analysis are necessary to provide decision-making information based on cash flow history and to provide for reasonable projections on which to base investment decisions and cash planning.

Every institution should have a high-level cash flow analysis in place by September 1, 2008 which can project monthly cash balances on a rolling 12 month basis.

1. Initially, establishment of a monthly cash flow can be based on historical cash balance information or ledger revenue and expenditure data. Cash balance data on a monthly basis, for at least a twelve month period, are to be established by September 1, 2008.
2. If historical data is available before September 1, 2008, monthly data will be researched and assimilated for the prior three years to establish cash patterns. Multiyear data will smooth aberrations in the data.
3. Once established, the cash flow analysis and projections should be updated on at least a quarterly basis to create a multi-year analysis.
4. If using revenue and expenditure information, the 80-20 Rule may be applied in data gathering and analysis. The need for a liquidity buffer to match unanticipated expenses eliminates the need for precise positioning at this monthly level.
    a. Major revenue sources contributing 80% of revenue are to be detailed. All other revenue sources may be grouped as one category.
    b. Major expenditures functions representing 80% of the uses of funds are to be detailed. All other expenditure groups may be grouped as one category.
    c. If a further breakdown is possible or desirable a more detailed analysis can be made.
    d. Report only actual levels without transfers, encumbrances, or accruals.

Daily Cash Positioning Analysis (optional)

For daily cash positioning, the institution's cash position should be updated daily to compile forward data and to identify any major changes or aberrations in the cash flow position or circumstances (including types of funds available, policy changes, or amount of funds flow.) Bank data is translated into information for daily transfer, decision-making, and monitoring purposes.

Actual cash balances or receipts and disbursements are captured on a daily basis to determine an excess/(deficiency) position of cash flows and to establish a daily/weekly/monthly pattern.

Establishing a Monthly Analysis

1. A cash analysis shall be prepared at a monthly level identifying cash balances or major expense (outflows) and revenue (inflows) to net for a monthly cash balance. This monthly analysis will provide a foundation for roll up to an annual analysis.
2. Linkage to aged receivables information and departmental capital plans should be evaluated for potential cash flow information.
3. Monthly revenues and expenditures are captured on a major category basis. Monthly balances (revenues minus expenditures) are used to calculate the balance of cash available. The available cash each month will represent a unique percent of cash availability during that year.

3. The monthly data for multiple years is combined into a multiyear schedule indicating the average balance each year and reducing single year aberrations. The balances and percentages across the year reflect the expected flow of funds by month as based on the multiple year history. This represents the flow of funds month-to-month.
4. The results of the multiyear analysis showing the percent of cash flow each month can be applied to anticipated cash flows (or budget or revenues and expenditures) providing an annual projection. The projection identifies anticipated variances and flows by month.

Analysis Maintenance

1. On a regular basis, the monthly cash flow analysis schedules shall be updated by incorporating current data. Schedules shall be updated monthly at a minimum.
2. Schedules shall be structured such that monthly and annual data is linked to create an annual projection of cash flow as well as monthly projections over the coming year.
3. An evaluation of any significant variances should be made to determine cause and potential effect.
4. If aberrations are identified the CBO will review the current investment positions to determine whether changes are required.
5. Significant material variances from projections are to be reported to the CBO.
6. The cash flow will identify core balances needed for operational uses and funds which can be extended into the longer maturity alternatives (ITF). Periodic analysis of changes to this balance is critical so that extensions are made without risk.

COLLECTIONS

All payments due will be collected on a timely basis and deposited to the authorized banking institution (unless required to be deposited in the State Treasury) within one business day, if greater than $500, providing for complete documentation and timely entry into the general ledger. Deposits outside a central cashiering area should be deposited to their designated collection point (such as central cashiering or armored transport for further delivery) within one business day.

Electronic collections and disbursements should be instituted to minimize operational costs, reduce processing and clearing float, and increase earnings. Electronic mechanisms such as POS check conversion, internal check scanning and remote deposit should be evaluated and utilized for streamlining deposits.

1. Systems to detect “prior offenders” of NSF checks should be developed and implemented.
2. Accounts receivables should be consolidated internally if possible and cost effective to minimize billing efforts and to identify high risk accounts. Receivables should be classified by risk potential for collection purposes.
3. All accounts receivables shall be monitored and aged as part of the write-off process. Aged accounts receivable must be analyzed quarterly for collection feasibility and appropriate action taken to collect the debt. Where possible repetitive suppliers will not be used until aged receivables have been collected.
4. All clients should be encouraged to utilize electronic transactions for payments.
5. All collection plans and policies must conform to the Fair Debt Collection Practices Act.
6. All invoices are to be issued on a “due upon receipt” basis, if feasible.
7. Extended payment plans for collection should not extend past one year. The CBO shall approve any extensions and may identify specific categories in which extensions are regularly permitted. Maximum extensions must be set for each category.
8. Employees involved in the collection process should be provided adequate training in collection actions, client interaction and established procedures.
9. If necessary to fulfill the collection process, the institution may contract with a collection service for delinquent accounts. Accounts delinquent over 120 days should be especially targeted for collection service designation.
10. To the extent allowed by law, a minimum flat late fee of 15% shall be established, billed, and collected for all payments not made within 60 days as appropriate.

11. All checks returned to the System as insufficient funds (NSF) should be aggressively pursued for payment. Utilization of banking tools such as a automatic re-presentment or date targeted ACH transactions should be evaluated for possible use to assist in these collections.
12. To the extent allowed by law, a return fee of at least $25 shall be applied to any check returned for insufficient funds (physical or electronic checks and transactions).
13. Monetary gifts or contributions must be recorded and deposited to the appropriate office (business office or development office) within one business day.
14. When oil and gas royalties collected by the System Administration University Lands Office from a single entity exceed $20,000 during a fiscal year, all subsequent payments from that entity shall be made using electronic transactions.

CASH HANDLING

Internal procedures and controls for cash handling are necessary throughout the System to enforce cash management policy objectives. The objectives are set to ensure safety and full investment of all funds and to minimize float costs detrimental to the System.

Procedures are to include, but not be limited to, complete documentation and audit trails, cashier training, random audits, sequential receipting, balancing, and timely and accurate reporting. The documentation of transactions and the balancing of cash at all points of transfer and transport are critical to maintain accuracy and safety of cash transactions.

1. All requests for point-of-sale cashiering funds will be made to the CBO in writing stipulating the location of, justification for, and responsible party(s) assigned to the fund. Upon establishment of a cashiering fund, a fund custodian(s) shall be appointed by the CBO.
2. Funds are to be established only by check from the CBO not from budgeted funds. The CBO will provide oversight and reimbursements to the fund.
3. No petty cash funds are to be established from cash receipts by any department.
4. The custodian is responsible for the fund and the collection, balancing, reporting and disbursement of all cash and assets of the fund. A change in custodian will require a written notification to and approval by the CBO. .
5. Cash and assets shall never be left unsecured or unattended. All assets shall be physically protected in safes, locked cash drawers, locking cash registers, cashiers cages, locked metal boxes, or locked drawers at all times. Safes and drop safes should be bolted in place and smaller receptacles secured in locked areas. Combinations or keys for cash receptacles shall be maintained only by designated custodians and supervisors. The safe registration information and combination must be reported to and maintained by the CBO. Combinations shall be reported under seal to the CBO and are subject to audit.
6. Every cashier shall be assigned an individual cash drawer. No cash drawers are to be shared. Only the assigned cashier and the custodian of the fund should be allowed access to the drawer.
7 All checks are to be endorsed with the institution name and a cashier identifier upon receipt. If immediate endorsing is not operationally possible, all checks must be endorsed before the cash drawer is closed and balanced.
8. Photo identification is required for receipt on all over-the-counter checks taken.
9. Each cash drawer is to be established for an amount of funds dependent upon the use of the drawer. An annual review shall be made of each cash drawer's assigned cash balance.
10. Change drawers are not to be used for petty cash or cashing of personal, payroll or expense checks, except where cash reimbursement is centralized in a central cashier or bursar's office.
11. Sequentially numbered receipts must be used for all transactions and daily audits and balancing of the receipts (or system reports) to the drawer is required in the closing process.
12. Cash drawers are to be balanced and closed out at the close of each cash handler's work period. Exceptions require CBO authorization.
13. All overages/shortages are to be reported to the custodian of the fund at daily closing and must be documented as an overage/shortage in the balance process.
14. Overages/shortages of $25 in a single incident or in aggregate during a one month period by a cash handler must be investigated by the custodian/supervisor and may result in disciplinary action up to and including termination.

15. Remote scanning and deposit of checks (on site or as part of backroom cashiering operations) should be instituted wherever cost effective to reduce processing float.
16. All deposits shall be verified twice preferably by two individuals.
17. All computer and credit card terminals are to be closed out at the end of a cashier's shift or at the end of the day.
18. Documentation in the form of a summary sheet for each deposit shall be prepared before deposit to the bank or central depository indicating the amount of funds, the breakdown of funds, the accounts to be credited, and identification of the depositor. All deposits to the banking institution or a centralized depository in the institution shall be documented with copies of the deposit to the Business Office.
19. All deposits totaling over $500 must be made or prepared for next day deposit, within one business day. Those departments or locations that do not collect revenue each day or whose deposit is not cost efficient for daily deposits must make deposits at least twice weekly. Checks requiring additional research or internal handling shall be photocopied by the department without delay of the deposit. A practical time table of deposits dates must be established considering armored car schedules.
20. All deposits of physical checks and cash are to be made to the bank in secure bags with identifying deposit slips indicating the amount and location of collection for tracking.
21. All cash, physical checks and receipts should be transported in tamper proof bags.
22. All deposits must be balanced to bank receipts, or electronic downloads from the bank, daily.
23. Security codes/PINS should be assigned to individuals/cashiers for all computerized systems. No code/PIN listing should be maintained on any web-based system to avoid unauthorized release of the information.
24. All departments should investigate methodologies for recycling coin and currency between departments and minimizing change orders to minimize transport and vault charges.

Cash Handling Locations

1. Adequate working space should be provided for each cashier in order to maintain control of the cash handling process and allow space for the processing of deposits and cash. Adequate and secure areas should be designated for balancing operations.
2. All cashiering areas should provide for security and separation between cash handlers and customers.

Theft or Loss

1. On discovery of a possible theft or loss of funds the CBO shall be notified and the CBO or Internal Audit will conduct an internal review before the close of the business day if possible and definitively within one business day.
2. If a theft is discovered the supervisor/custodian shall make a verbal report to the campus Police and the CBO before close of business followed by a written report within one business day.
3. All counterfeit currency must by law be confiscated and segregated immediately by the cashiers. If a counterfeit note is discovered subsequent to acceptance as tender for a transaction, then it must be segregated by the cashier and the account shall not be credited. A Counterfeit Note Report must be filed with the Secret Service within one business day. A complete description of the passer shall be made by the cashier immediately following the transaction in accordance with Secret Service procedures.

TRANSPORT OF SYSTEM ASSETS

It is the policy of the System to provide for the safekeeping of all its assets and for timely, efficient and cost effective transport of assets from the point of collection to deposit in a custodial institution. Assurance of asset and employee safety is a System priority. Cash handling operations must be secure and transport made by armed transport services off campus.

1. Transfers of assets within an institution's facilities should be in tamper proof bags and transport made by campus police. Exceptions based on dollar limits or locations may be established and approved by the CBO.
2. Transfers of assets within an institution's facilities should not conform to any set schedule and information regarding the transfer should be limited to cash handling employees.
3. Any transfer of assets shall be documented and signed by both sending and receiving parties and an institution log maintained to document the transfer.
4. All transfers made off-campus shall be made by contracted armored transport, secure transport, campus police, or security personnel. Written exceptions may be approved by the CBO.
5. Armored car personnel will receipt all items and provide a copy to the fund custodian/supervisor.
6. Armored car personnel are required to present adequate identification before each transport.
7. A copy of the armored car receipt is to be forwarded to the CBO or kept on file for reconciliation to the deposit.

DISBURSEMENT OF FUNDS

All payments due and payable by an institution shall be paid on a timely basis on the date due and utilize payment discount options in order to eliminate any payment penalties. Electronic payment methods should be used to target due dates and provide for maximum funds utilization.

1. All bills shall be assigned the appropriate due date from the invoice incorporating and using discounts offered. The due date shall maximize the days until timely payment. Vendor discounts shall be taken when possible and cost effective.
2. Payments shall not be artificially delayed.
3. If possible, accounts payable functions should be consolidated within the institution for management and payment efficiency purposes.
4. If possible, all payments over $5,000 <u>should</u> be made by ACH or other electronic means.
5. All payments over $10,000 <u>shall</u> be made by ACH or other electronic means.
6. Purchasing cards should be instituted for payments, if possible, to consolidate billing, maximize departmental overview and approval, and increase System float.
7. Wherever possible, payroll expenses should be paid by direct deposit or pay cards if found cost effective. To the extent allowed by law, new employees should be encouraged to utilize direct deposit by September 1, 2009.
8. All issued checks should have a voiding date of 180 days and such checks should be cancelled on the ledger and through banking positive pay services at that date. Extensions of this limitation shall be approved by the CBO.
9. Dual check signatures required for bank review should be discouraged. The desired control instituted through dual individual signatures can and should be made on back-up documentation rather than required on the check itself. Banking contracts shall stipulate that the bank is not liable for an audit of the dual signatures thereby eliminating unnecessary bank charges for this service.

PETTY CASH FUNDS

Petty cash funds are to be established only to reimburse employees for non-recurring, unexpected expenditures up to $100 for any one transaction. Established bank accounts for remote locations are not to be classified as, or used as, petty cash funds. Petty cash funds represent idle funds and create an ongoing need for security, record-keeping, and audit. Although authorized petty cash funds may be established for extraordinary situations, the use of electronic purchasing cards is preferable. This policy specifically excludes such unique payments as patient social service vouchers and research payments which are to be so designated by the CBO.

Only temporary petty cash funds should be established. Ultimate fiduciary responsibility for the fund shall reside with the department head under which the fund is established.

1. Any request for a petty cash fund must be in written form from the responsible department head and include specific justification for the fund. The request shall be reviewed and approved by the CBO. The request for establishment of the fund must include the following:

   a. Justification and planned duration of the fund
   b. Dollar amount to be maintained in the fund
   c. Name and job classification of the fund's designated custodian(s)
   d. Location and planned securitization of the fund
   e. General ledger account from which the fund will be funded
   f. Process for the maintenance of the fund
   g. Signatory approval of department head
2. The fund will have an assigned primary custodian and, if necessary, a secondary custodian in writing. The custodians and the department head are responsible for the disbursement from and balancing of the fund. Changes in custodians will require a written report to and approval from the CBO.
3. The petty cash fund shall maintain the established dollar value. No petty cash fund shall be established with an amount exceeding $500 except with prior approval of the CBO.
4. Individual petty cash transactions may not exceed $100 and must be supported by a signed petty cash voucher and receipt. Each petty cash voucher must be accompanied by an original receipt upon reimbursement or return of unused funds. A signature and printed name is required on each voucher. The original voucher is to remain as permanent document of the fund's transactions.
5. Petty cash disbursements may not be held for future use by any employee for an excessive period.
6. Reimbursements to the fund are to be submitted to the central cashier in sufficient time to prevent depletion of the fund. All check payments for reimbursement shall be made payable to the institution or custodian and directly reference the fund.
7. Petty cash funds will be audited periodically by the CBO, internal audit or the department and should be spot audited by the CBO as necessary.
8. Any discrepancy in petty cash funds shall be the personal responsibility and liability of the custodian(s) and the department head.
9. Any petty cash funds found to be misappropriated or out of balance without cause will be immediately closed and appropriate action taken by Internal Audit or campus police. System, or internal, auditors shall be contacted immediately of any irregularities in record-keeping of the fund.
10. The fund must be maintained in a locked, secure location at all times.
11. Petty cash funds are to be used for business purposes only.
12. The custodian shall balance petty cash funds after each payment. The fund shall be balanced at least weekly by the custodian regardless of use.
13. Petty cash funds must never be commingled with personal or other System funds.
14. Under no circumstance shall petty cash funds be deposited in a personal bank account.
15. If the fund has not been used for three fiscal quarters it must be closed. The custodian will notify the CBO in writing of the anticipated closure and date of closure.
16. At the pre-established closure date of the fund, the fund will be balanced. All funds and original receipts/vouchers are to be forwarded to the bursar/cashier's office. A receipt for the funds will be issued to the custodian.
17. Date extensions beyond the original anticipated closure date must be in writing to the CBO and require review under the same procedures as its original establishment.

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDIX

None

UT System Administration Policy Library -- Policy UTS167

BANKING SERVICES POLICY

Responsible Officer: Associate Vice Chancellor for Finance
Sponsoring Office: Office of Finance
Effective Date: September 1, 2007
Last Reviewed:
Next Scheduled Review: September 1, 2011
Errors or changes to: policyoffice@utsystem.edu

Exempted from Standard Policy Development Process By: Date:

CONTENTS

POLICY STATEMENT

Banking relationships constitute a critical element of cash management affecting the service level and earning potential of the System as well as the safety of its assets. The most cost effective banking services must be obtained for each institution and the best level of service made available to all System institutions. To pursue these goals, System-wide service minimums, internal controls, and collateral requirements have been established. Periodically, System-wide banking proposals will be solicited for the selection of one or more banks which are to be used by all System institutions. The process used to determine System-wide bank alternatives will utilize a standardized System request for proposal (RFP).

Funds held in demand deposits, time deposits, or non-negotiable certificates of deposit shall be deposited or invested only in banks with which the Board of Regents has a depository agreement. The Board delegates to UTIMCO or the Executive Vice Chancellor for Business Affairs authority to execute and deliver depository and custody agreements when such deposit agreements are with banks meeting the then current policies of the Board and are in substantially the form of a standard deposit agreement approved by the Board or, for other agreements, in a form approved by the System Administration Office of General Counsel. Subject to the provisions of Series 10501 of the Regents' *Rules and Regulations*, the Board delegates to the Chief Business Officer of the institution or the Executive Vice Chancellor for Business Affairs the authority to execute and deliver contracts for banking services with banks that have a depository agreement with the Board.

The Board, the Chancellor, and the institutional presidents may not, by law, borrow money from any person, firm, or corporation to be repaid from institutional funds except as specifically authorized by the Legislature. Subject to the general provisions of Series 10501 of the Regents' *Rules and Regulations* and, except as otherwise specified in the Regents' *Rules and Regulations*, the Board of Regents delegates to the Chancellor and to the Executive Vice Chancellor for Health Affairs the authority to act on behalf of the Board to approve loans of institutional funds, which are not otherwise restricted, to a certified nonprofit health corporation and to execute contracts, agreements, and other documents or instruments related to such loans.

This Policy is designed to institute controls and standardize cash management policy elements across the System. Unique institutional requirements may require minor deviations from this policy. Any substantive change must be reviewed and approved by the System Office of Finance.

RATIONALE

Banking services impact the internal operations and earnings of the System and therefore the services and agreements must be defined clearly and services monitored regularly. Economies of scale gained by consolidated System–wide contracts are designed to reduce System costs overall.

System fiduciary responsibilities require controls for cash and electronic transactions with banks and development of internal procedures supporting such transactions must be established, monitored, and reconciled on a timely basis. Lack of sufficient controls can result in fraud, collusion or loss of assets. Accurate and timely balancing, reconciliation, and automated postings are required for reporting and asset safety. State law and fiduciary requirements mandate controls on pledged collateral to secure assets in event of a bank default or service interruption.

SCOPE

All institutions and UT System Administration

WEBSITE ADDRESS FOR THIS POLICY

http://www.utsystem.edu/policy/ov/uts167.html

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Policies & Standards
UTS166, *Cash Management and Cash Handling Policy*	Texas Public Funds Collateral Act, Texas Government Code Chapter 2257, Texas Occupations Code Chapter 162.001

CONTACTS

If you have any questions about UT System Administration Policy UTS167, *Banking Services Policy*, contact the following office(s):

Office	Telephone	Email/URL
Office of Finance	512-499-4374	http://www.utsystem.edu/fin/contact.html

DEFINITIONS

ACH
Automated Clearing House funds transferred by entry in and through the National Automated Clearinghouse Association (NACHA). Transfers from individual institutions are grouped by bank code and transferred electronically in batch mode reducing wire costs and providing for a chain of warranties between banking institutions.

Cash
To include coin, currency, electronically reported balances, credit card transactions, money order, travelers checks and all other negotiable items.

Certified Nonprofit Health Corporation
A nonprofit health corporation that has been authorized by the Board of Regents and certified by the Board of Medical Examiners under *Texas Occupations Code* Chapter 162.001.
http://tlo2.tlc.state.tx.us/statutes/docs/OC/content/pdf/oc.003.00.000162.00.pdf

Checks

Documents reflecting a debt of the payor. Checks may be personal or corporate based upon the credit of the issuer but can also include money orders, cashier checks and US Treasury checks.

Collateral
Securities pledged by a banking institution to the University which in the case of bankruptcy or failure to pay would be liquidated to repay the University for funds held by the bank. Collateral is pledged to and not owned by the University and supplements FDIC insurance.

Collateral Pooling
The process whereby depository institutions may consolidate required collateral on multiple public entities for safekeeping and record keeping purposes. Pooling creates a centralized control on the collateral by the State or other entity.

Depository
A banking institution designated as a public depository for time and/or demand deposits. Public depositories must provide pledged collateral above the FDIC insurance levels to secure public funds.

Depository Insurance
Insurance provided by the Federal Deposit Insurance Corporation, or its successor, for public funds deposits. Insurance provides coverage for each individual tax identification number (not account) basically indemnifying up to $100,000 with the exception of interest and sinking funds which are indemnified separately as testamentary accounts.

Earnings Credit Rate (ECR)
The rate at which funds left in a bank as a compensating balance earn interest from which the institution's banking fees are paid. *[(ECR * collected balance) * days of month / 360 = bank fees]*

Electronic transmissions and transfers (Electronic Funds Transfers-EFT)
Electronic payment mechanisms available through banking institutions using the Federal Reserve Wire System (FedWire) or the National Automated Clearing House Association (NACHA) operating under their specific requirements and standards.

FDIC
Federal Deposit Insurance Corporation. The Federal Deposit Insurance Corporation is a membership corporation sponsored by the US Government to insure repayment of savings and time deposits if a member bank becomes insolvent.
http://www.fdic.gov/deposit/deposits/financial/categories8.html

FIRREA
The Financial Institutions Resource and Recovery Enforcement Act regulates the actions of the FDIC when apportioning the assets of a failed or converted banking institution. The Act sets minimum standards and limits for collateral agreements with public entities. See Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) and FDIC Regulations regarding Insurance Coverage 12C.F.R. Part 330.
Margin: The percentage above 100% required to accommodate market value fluctuations of pledged collateral. System requirements set a margin of 102% for pledged collateral.

PINS
Personal identification numbers or codes assigned for security purposes on automated systems.

Time and Demand Deposits
A time deposit (certificate of deposit) has a set maturity date. A demand deposit is any other form of deposit including checking accounts, interest bearing accounts, NOW accounts, etc. on which the depositing entity may make a demand for its funds. Demand deposits may be interest bearing or non-interest bearing which affects the status of their FDIC insurance coverage.

Transfers

Electronic transactions usually between accounts within the same banking institution for one customer.

Wires
Electronic transactions for the transfer of cash between institutions or individuals by debits/credits to their respective banking institutions. Wires are normally processed through the Federal Reserve's wire service (FedWire) or internationally through CHIPS. Such wire transfers have no guaranties by either party.

RESPONSIBILITIES

Board of Regents

- delegates to UTIMCO or the Executive Vice Chancellor for Business Affairs authority to execute and deliver depository and custody agreements
- delegates to the Chief Business Officer of the institution or the Executive Vice Chancellor for Business Affairs the authority to execute and deliver contracts for banking services with banks that have a depository agreement with the Board
- delegates to the Chancellor and to the Executive Vice Chancellor for Health Affairs the authority to act on behalf of the Board to approve loans of institutional funds, which are not otherwise restricted, to a certified nonprofit health corporation and to execute contracts, agreements, and other documents or instruments related to such loans

Office of Finance

- maintain a standard banking service request for proposal (RFP) for use on behalf of the U.T. System Administration and all institutions of the U.T. System
- competitively solicit banking services proposals for the System and member institutions through a consolidated RFP at least every five years
- monitor and maintain collateral information System-wide to ensure adequate collateralization of all System depository assets

Chief Business Officers (CBO)

- acquire banking services from financial institutions under contract with the System to assure competitive evaluation at least every five years and conform banking services to the standards set by this policy to include all required services
- establish authorization levels by position for any transfer or signatory responsibilities under any banking services agreement
- notify all appropriate banks of authorized individuals for transfers, withdrawals and signatures and maintain current information
- assure that bank passwords and PINS are changed on a regular basis, or on the schedule established by the contracted banking institution, not to exceed an annual basis, on all authorized individuals
- create, approve and provide for annual review of departmental operating procedures for deposits and withdrawals as well as transfer requests in accordance with this policy

Department Heads

- create operating procedures supporting this policy and the Cash Management and Cash Handling Policy for the deposit, withdrawal and transfer of funds from banking institutions
- establish authorization levels and controls for withdrawals, wires, and transfers by position title

UTIMCO

- administers pooled investment funds for the investment of institutional funds as authorized by the Board of Regents

PROCEDURES

ACQUISITION AND MONITORING OF BANKING SERVICES

1. Competitive proposals from banking institutions will be solicited by the System at least every five years. The System's request for proposal (RFP) will accommodate all institutions of the System and is to be used by all institutions in the System-wide proposal process.
2. Banking services agreements will be executed for no longer than five years. Periodic competitive review assures that the System is receiving the most competitive pricing and is maintaining its technological advantage.
3. Primary depository services should be provided by only one banking institution for each System institution. Additional subsidiary depositories for specific deposit accounts, used primarily for remote locations, may be established when necessary. Subsidiary depositories used in this manner must execute a depository agreement and be required to provide approved collateral if balances exceed the FDIC insurance coverage. Institutions requiring additional banking services depositories must send written justification to the Associate Vice Chancellor for Finance to receive authorization prior to execution.
4. The RFP shall be posted on the Texas Building and Procurement Commission website at a minimum. Objectives for banking services are:
   a. responsiveness and ability to provide services required,
   b. banking services costs, and
   c. experience, references, creditworthy continuity of bank and local bank representation.
5. Compensation for banking services shall be on a fee basis so that all funds are invested at the highest earnings rate at all times. Compensation by compensating balance is only permitted when the bank's earnings credit rate (ECR) exceeds all alternative rates for investment by more than 15 basis points. Should the ECR of the local depository be 15 basis points or more below alternative earnings rates, the banking arrangement must utilize a fee basis allowing funds to be invested at a higher rate.
6. A standard banking depository agreement shall be established and standardized by the U.T. System Office of General Counsel (OGC) for use on any bank relationship. The agreement will, at a minimum, address collateral requirements and fulfill all requirements of FIRREA. Additional technical service agreements may be executed by the System for specific services provided. All agreements will refer to and comply with the standards and requirements of the System RFP and the fees proposed in response to that RFP. Final agreements must be approved by the Office of General Counsel and executed through the Office of Finance.
7. Bank charges to each System institution will be monitored against the contracted fees on a monthly basis through an account analysis monitoring worksheet by that institution. Differences will be identified to the bank and corrected by the bank before institutions authorize any analysis debits or direct fee payments for those charges.

8. The internal institutional float on funds should be evaluated and monitored to assure minimum processing time as deposited items move to the banking institution. The potential advantageous use of lockboxes, remote deposits, or other automated services should be considered to speed processing. Evaluation of armored transport services should be included in the evaluation.
9. Reconciliation of all accounts, including merchant services, shall be made within thirty (30) days of receipt.
10. On an annual basis, each institution shall query all local banks to assure that no unauthorized accounts have been established with the institution's name(s), a similar name, or its tax identification number.
11. Where feasible, institutions (particularly health care collections from third party payers) should utilize automated image matching for remittance data capture (matching payments to outstanding claims) to integrate check and remittance documentation electronically.

System Required Banking Services to be Provided by Banks

1. To supplement the institutions' daily major cash transfers to the Short Term Fund, and except where legally prohibited, sweep account structures to bank overnight investment options should be utilized to ensure all minimal bank-held operating funds are invested at the highest possible rate. Bank sweep alternatives shall include only SEC registered US government and agency or prime money market funds. Sweeps are designed to also minimize collateral risk for the System by eliminating overnight deposits which otherwise must be collateralized.
2. All accounts shall be structured as interest earning. (Balances used for compensating balances when appropriate are defined as earning at the bank's ECR rate.)
3. Account consolidation shall be a goal at each institution. A internal review and justification of the number and type of accounts at each institution should be part of the acquisition of banking services. The CBO or his designee shall approve and be a signatory on every account established by the institution to assure adequate authorization and disclosure.
4. Use of controlled disbursement accounts should be minimized unless authorized by the CBO and should be used only to maximize daily transfer amounts to UTIMCO funds.
5. Non-repetitive wire and non-batched and non-repetitive ACH transfers shall require dual control on initiation and release of transactions.
6. No dual signature liability based review is to be required from a banking institution. If a System institution requires dual signatures (mechanical or hand-written) for control purposes, the dual signatures should be required on back-up documentation preferably. The banking contract shall stipulate that the bank is not liable for any audit of dual signatures thereby eliminating unnecessary bank charges attendant to this service.
7. Electronic scanning and depositing of checks shall be used whenever feasible at locations with sufficient volume to reduce float and reduce the liabilities of internal check handling and transfer. All locations shall be reviewed by the CBO or his designee as to the feasibility for this service or other services developed which speed deposit and reduce manual handling of assets.
8. Positive pay (advance reconciliation) shall be applied to all accounts to eliminate fraud on checks with the exception of certain imprest funds or where not allowed under law.
9. Partial or full reconciliation services shall be applied to all active accounts whenever feasible and cost effective to reduce internal System staff time on reconciliation.
10. Stop pays should be minimized through the use of positive pay transactions. All stop pays will be reversed on the positive pay file to ensure non-payment and elimination from the outstanding check file.
11. NSF checks received should be represented through targeted ACH (RCK) if proved cost effective. The CBO or his designee shall review the NSF process periodically to evaluate use of banking services to speed processing and increase collections.

12. ACH origination should be a goal of each institution and is encouraged due the efficiency and cost effectiveness of the payment and receipt method. ACH origination is required on all collection and disbursement transactions over $5,000, if possible.
13. Filters and/or blocks are required on all ACH accounts to prevent unauthorized transactions. The extent of the filters/blocks for the institution shall be reviewed by the CBO or his designee for appropriateness.
14. Bank imaging and truncation of all checks, including deposit documentation, is required to reduce physical document handling.
15. Direct deposit and stored value cards (pay cards) should be evaluated for use whenever feasible for payments through electronic funds to reduce the number of physical checks produced.
16. A local account executive shall be required to be assigned by the bank for local contact and servicing. An annual meeting with the account executive by the CBO or his designee is required to review current services and evaluate other potential services.

AUTHORIZED DEPOSITORY COLLATERAL

1. Subject to state law, this policy, and the System's Banking Request for Proposal (RFP) establish the list of authorized collateral and the System required collateral margins for all System deposits.
2. Authorized collateral for System deposits shall include only:
   a. Obligations of the United States Government, its agencies and instrumentalities including mortgage backed securities passing the standardized bank test (shock test for volatility).
3. Collateral shall be perfected by receipt of an original safekeeping receipt (or report) received directly from the independent custodian. A copy of the receipt (or report) shall be maintained by the System.
4. A minimum collateral margin of 102% shall be maintained on all deposits to include accrued interest, at all times. The pledging institution shall be made contractually liable for monitoring and maintaining the collateral margins at all times.
5. Collateral shall be safe-kept in an independent financial institution outside the holding company of the pledging institution. A written monthly report shall be provided to the System to include full collateral descriptions and current market value at a minimum.
6. A written collateral agreement shall be executed with every System depository. In order to fulfill the requirements of FIRREA, the contract must:
   - be in writing
   - be approved by resolution of the bank's board or bank's loan committee
   - state that it is executed under the terms of FIRREA
   - reference the System's authorized types of collateral
   - require an independent third party custodian
   - allow for System approved substitutions
   - require a collateral margin of no less than 102%
   - require continual monitoring and maintenance of margins by the bank
   - require that a monthly listing of the collateral be provided to the System
7. Before any deposit of System funds, the controlling depository agreement must be executed and proof of pledged collateral received by the System.
8. Safekeeping confirmations and monthly reports of collateral holdings shall be maintained by the Office of Finance, as necessary.
9. The Office of Finance shall verify the market value of the collateral against the deposits plus accrued interest.
   a. If insufficient collateral is pledged, the Office of Finance shall immediately contact the bank on a margin call for same day action.
   b. The written margin call shall be maintained on file.
10. If substitution or withdrawal of collateral is requested by the bank, the Office of Finance will verify the market value of collateral currently pledged and the level of deposits in the institution. If sufficient value is being substituted or remains in the account, the release will be approved.

a. The bank shall be required to move the new securities into safekeeping before the current securities are removed.

SECURITY CODES/PINS

1. Any individual assigned authorization for financial transactions and assigned a password, code, or personal identification number (PIN), is personally responsible for securing this code/PIN at all times. Unauthorized release or sharing of any security code/PIN will result in personnel actions up to and including termination.
2. Codes/PINS should be changed periodically in accordance with bank requirements (and for internal codes/PINS on the institution's own established schedule). Where feasible, code/PIN authorizations should be tied to dollar limits on system transactions.
3. Individuals authorized for financial transactions through an assigned code/PIN will relinquish that code/PIN upon notice of resignation or notice of termination. The code/PIN shall be changed or terminated in all applicable internal and bank systems immediately upon termination of authorized user.
4. The CBO or controlling department heads will provide for an audit of authorized users and their assignments on no less than an annual basis.

ELECTRONIC FUNDS TRANSFERS

Because of the reduced cost offered by electronic transfers and the System's ability to control the exact timing of funds transfers, all institutions should use electronic transfers whenever possible for both debit and credit transactions. The CBO or his designee is responsible for the initiation and receipt of all EFT transactions and will provide for wire, ACH, and transfer capability with the depository through the banking services RFP, agreement, and service agreements.

1. All money wires will be made electronically and preferably established on a repetitive basis if feasible. All electronic transactions for the withdrawal or transfer of funds from a banking institution will require action from a minimum of two authorized individuals.
   a. Establishment of repetitive transaction will require dual review and creation.
   b. Non-repetitive actions shall require dual initiation/release: one authorized individual to initiate and one to release the wire or transfer.
   c. A list of the authorized individuals is to be reported to and approved by the CBO or his designee and reviewed at least annually.
2. Approval of checks over specific dollar limits shall be set as policy for each institution by its CBO. System-wide, any check over $ 25,000 will require review by the Accounts Payable Supervisor, or their designee, for review and sign off on the check documentation.
3. Paper check signatures should be digitized and securitized if possible to prevent fraud
4. Paper check formats and check information should be printed concurrently, if possible. Concurrently printed checks are to replace pre-printed checks which are more prone to fraud through duplication.
5. Voided checks are to be physically modified (punched) to avoid reuse and duplication.
6. Physical checks are to be secured in a locked area at all times and a sequentially numbered log maintained accounting for all physical checks.
7. All wire and transfer transactions are to be reported to the CBO or his designee on a same business day basis according to departmental operating procedures.
8. The CBO shall institute sufficient controls on all transactions to include:
   a. recording of all wire confirmation numbers as part of the transaction documentation,
   b. balancing the outgoing files against outgoing bank transactions,
   c. daily reconciliations of outgoing wires and ACH files,
   d. limited access to electronic transactions, and
   e. transfer of EFT information before bank deadlines.

9. The standard Wire Transfer Agreement presented by the bank should be reviewed but should not be changed in any manner without full review by the U.T. System Office of General Counsel (In accordance with the Uniform Commercial Code (Texas Business Code) changes to this document require full documentation by the institution on the reinstitution of modified controls and modifications may impair the System's comparative negligence protection under the Code.)
10. As a priority, whenever possible, major vendors, repetitive vendors, and granting agencies should be instructed to make payments by ACH on the date due.
11. As a priority, whenever feasible, institutions should institute ACH transfers for all repetitive payments to be made on the date due.
12. Wherever feasible, payroll expenses should be paid by direct deposit or stored value cards (pay cards) if found cost effective. To the extent allowed by law, new employees should be paid through direct deposit.

Incoming Electronic Transfers

1. The CBO or his designee must be informed by all departments on a timely basis regarding incoming electronic transfers.
2. Reconciliation on incoming transfers must be made on a daily basis.

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDIX

None

3. U. T. Dallas: Center for BrainHealth - Request for approval of acceptance of gifts of outdoor works of art

3. U. T. Dallas: Center for BrainHealth - Request for approval of acceptance of gifts of outdoor works of art (cont.)

2. U. T. System: Annual Meeting with Officers of the U. T. System Faculty Advisory Council

U.T. System Faculty Advisory Council Annual Report

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Presented By
Dr. Ted Pate
Chair

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What is the Faculty Advisory Council?

- The University of Texas System Faculty Advisory Council (FAC) is a selected representative advisory group that works with and on behalf of The University of Texas System.

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Mission Statement

- The mission of the FAC is to provide a forum for communicating ideas and information between faculty, the Board of Regents, and the Executive Officers of U.T. System.

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Charge to The University of Texas System Faculty Advisory Council

The FAC is charged with:

1. Identifying issues of concern to the faculty, Board of Regents, or well-being of the U.T. System.
2. Responding to issues at the request of the Board of Regents, the Chancellor, U.T. System Administration, and/or FAC membership.
3. Conducting fact-finding, background exploration, exposition, analysis, and deliberation on issues and to develop recommendations and/or action plans for review by the FAC.
4. Disseminating information to the FAC, Board of Regents, and faculty and administrators of U.T. System institutions.

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2. U. T. System: Annual Meeting with Officers of the U. T. System Faculty Advisory Council (cont.)

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FAC Membership

- Two representatives plus alternate from each U. T. System institution

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FAC Activities 2006-2007

- Conversations
- Discussion of Issues
- Development of Resolutions

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Discussion of Issues

- Compensation Plans on Health Campuses
- Faculty Review of Campus Policies & Procedures
- Phased Retirement
- Computer & Internet Security
- Health Insurance Benefits
- Graduation Rates
- Faculty Recruitment & Retention
- Retention of Tenure by Part-Time Faculty
- Leadership Academy
- Accreditation Issues

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Development of Resolutions

- Faculty Input in the Development of Compensation Plans on Health Campuses

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Ongoing and Future Activities

- Increase our conversations with Regents and Legislators
- Assist Executive Vice Chancellor Shine in the development of consistent U.T. policies for health campuses
- Respond to reports that involve faculty issues and provide input as needed
- Increase interaction with the Student and Staff Advisory Councils
- Explore the possibility of a Faculty Regent
- Monitor implementation of Compensation Plans on the health campuses

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Retaining and Graduating Students

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Faculty Advisory Council
August, 2007

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Background

- We are all in this together.
- No matter the measures of graduation success (i.e., rates), we all want more students to graduate.

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Issues

- Goal to increase the proportion of students graduating.
- Measures may inadequately explain the situation – more of a story to tell.
- Current measures may not be interpreted within the mission of each university.
- Need to improve.

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Students

- **Mission-driven admissions**
  - Large at-risk student population
    - Financially needy - Median family household income (2005) varies between $26,009 in Hidalgo County (U.T. Pan American) and $54,068 in Tarrant County (U.T. Arlington)
    - Minority student body – Percentage of undergraduates varies between 22% at U.T. Tyler and 95% at U.T. Brownsville and U.T. Pan American

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Students

- **Mission-driven admissions continued**
  - First generation college students
  - Work rather than incur debt
  - Family responsibilities
  - Nontraditional students
    - Average age varies between 21 (U.T. Austin) and 27 (U.T. Permian Basin)
    - Proportion of females varies between 46.7% at U.T. Dallas and 61.8% at U.T. Permian Basin

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Educational Process

- Challenges
  - Part-time participation (increases throughout educational timeframe)
    - **Proportion of part-time undergraduates** Varies from 8.7% at U.T. Austin, 26.3% at UTSA to a high of 55.3% at U.T. Brownsville.
    - **Access to full-time faculty**
    - Percent of part-time faculty varies between 3% at U.T. Austin to 23% at U.T. Brownsville

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2. U. T. System: Annual meeting with officers of the U. T. System Faculty Advisory Council (cont.)

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Educational Process (cont.)

- Challenges
  - Lack of connection to campus
    - Commuters
    - Students attend multiple institutions of higher education
    - Nontraditional
    - Family responsibilities
    - Work responsibilities

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Goals

- Establish connection among educational mission, learning outcomes and success of higher education.
- Refocus the external discussion away from numbers and onto context-specific learning outcomes that are sensitive to institutional mission and student population.
- Increased outside focus on accountability for student outcomes.

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What are Student Learning Outcomes?

- Traditional approach to learning focuses on content based objectives.
- What do students know upon completion of a course, program or degree level curriculum?

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What are Student Learning Outcomes (cont.)

- Student learning outcomes focus on the knowledge, skills, and abilities that students have attained as a result of their involvement in a curriculum.

Or quite simply:

The really important things students should know, believe, and/or be able to do when they receive their degrees.

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Why Student Learning Outcomes

- Results from employer surveys emphasize the importance of focusing on knowledge, skills and abilities.

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Example: U.T. Arlington, 2004 (N=134)

	Importance*
Applying concepts	4.37
Applying technical knowledge	4.20
Defining problems	4.43
Solving problems	4.57
Creative thinking	4.07
Effective speaking	4.28
Effective writing	4.20
Effective listening	4.50

* Rated on a 1-5 scale with 1 = not at all important and 5 = essential

Resource: U. T. Arlington 2004 Employers Survey

12

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Why Student Learning Outcomes (cont.)

- Benefits

1. Increased student awareness of and involvement in their own learning.
2. A common framework for discussions about learning within and among institutions and departments.
3. A value-added approach to curriculum assessment and change.
4. Clear communication of expectations to students.
5. A requirement of accrediting agencies.

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Why Student Learning Outcomes (cont.)

- Specifically designed by faculty within the context of an institution's student population and educational mission.

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Assessment of Student Learning Outcomes

- Direct Measures – Classroom Exams, Standardized Tests, Licensure Exams, Performance Assessments, Portfolios.
- Indirect Measures – Surveys (alumni, employer), Interviews, Job/Graduate School Placement, Graduation Rates.

15

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What Can the Faculty and Regents Do?

- Reframe the dialog away from numbers.
- Reinforce the linkage between student learning and institutional missions.
- Refocus on the knowledge gained and the ability to use that knowledge.
- Recruit and retain effective tenure-track and tenured faculty who have long-term commitments to their students and institutions.
- Re-evaluate progress relative to student learning outcomes with a goal of continuous improvement.

16

Health Professions Faculty Shortages Report to the U.T. System Board of Regents

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UT System Faculty Advisory Council

August 23, 2007

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- The Health Affairs Committee of the U.T. System FAC is concerned about the recruitment and retention of faculty in the health professions and the conditions leading to these problems.

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- Nursing is probably the most critical health profession shortage area. Within the next 5-15 years, 70% of the current nursing faculty will retire.

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- There is some national data with documentation of shortages of faculty in dentistry, some areas of medicine, and allied health.
- There is little documentation of Texas-specific or U.T.-specific faculty shortages.
- However, we believe there are increasing problems with recruitment and retention of health profession faculty in Texas schools.

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- Most of us went into health professions education because we like teaching or we like research and the advancement of science.

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- However, with the increasing workload on faculty, it is becoming harder to indulge in the pleasure of teaching. With the decreases in research funding, it is getting harder to do research.

- This makes it much easier for faculty to decide to move to the private sector, when the fun goes out of teaching and research.

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Reasons that Workload is Increasing for Faculty

- Increasing demand to earn clinical income.
- Increasing demand to earn research grants to pay salary.
- With the decreasing NIH grant funding, faculty have to prepare more grant applications to get one funded.
- Increased student enrollment, with little change in faculty numbers.

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Clinical Faculty Concerns and Issues

- An ever increasing amount of the faculty's time is taken up with committees, compliance activities and tests, and other administrative burdens.

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Clinical Faculty Concerns and Issues (cont.)

- The salaries of clinical faculty are not comparable to the salaries faculty could earn in the private sector.
- In some cases the graduates of programs are making higher salaries immediately after graduating than their instructors.

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Clinical Faculty Concerns and Issues (cont.)

- With the difficulties of hiring new faculty in some programs, the newer hires are making higher entry salaries, leading to salary compression for the older, more experienced faculty.
- The only way some more experienced faculty can earn higher salaries is to become administrators or move to another school.

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Clinical Faculty Concerns and Issues (cont.)

- The increasing educational debt of recent health profession students contributes to the lack of interest in new graduates entering the educational profession in lieu of higher salaries in the private sector.

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Average Student Debt on Separation

UTHSC-Houston Award Year	2005
Dental Branch (DDS)	$96,260.00
Dental Hygiene	$30,798.00
Dental – Postgraduate	$58,686.00
GSBS	$37,892.00
Health Information Systems	$34,900.00
Medical	$98,345.00
Nursing – Undergraduate	$28,886.00
Nursing – Graduate	$29,491.00
Public Health	$40,030.00

Resource: U. T. H.S.C. Houston Fact Book 2007 "Average Student Debt on Graduation 2000-2006"

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Clinical Faculty Concerns and Issues

- Retention of existing faculty is important. They have experience, expertise and know the system.
- However, with campus administrators focused on recruitment of new faculty, existing faculty are often an afterthought. Salary compression exacerbates this retention problem.

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Clinical Faculty Concerns and Issues (cont.)

- Hiring new faculty has been slow to keep pace with the increased number of students in some programs.

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Recommendations

1. U.T. System conduct a study of faculty recruitment and retention rates within health disciplines.

2. U.T. System conduct a study of compensation levels compared to local private practice.

15

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Recommendations

3. Conduct exit interviews of faculty and use the information for program evaluations and institutional improvement.

4. Develop more formal mentoring programs for new faculty.

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2. U. T. System: Annual Meeting with Officers of the U. T. System Faculty Advisory Council (cont.)

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Recommendations

- While we are talking mostly about Clinical Health Professions Faculty, some of these problems are experienced by other faculty groups.

17