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Committee Meeting: 5/12/2010

*Paul L. Foster, Chairman
Printice L. Gary
James R. Huffines
Wm. Eugene Powell*

Board Meeting: 5/13/2010
Austin, Texas

	Committee Meeting	Board Meeting	Page
Convene	<i>2:30 p.m. Chairman Foster</i>		
1. U. T. System: Discussion and appropriate action related to approval of <i>Docket No. 142</i>	<i>2:30 p.m. Discussion Dr. Kelley</i>	Action	69
2. U. T. System: Key Financial Indicators Report and Monthly Financial Report	<i>2:35 p.m. Report Dr. Kelley</i>	Not on Agenda	69
3. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended February 28, 2010	<i>2:55 p.m. Report Mr. Zimmerman</i>	Report	103
4. U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund	<i>3:10 p.m. Action Mr. Zimmerman</i>	Action	109
5. U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds, authorization to designate all or a portion of the bonds as Build America Bonds, and authorization to complete all related transactions	<i>3:20 p.m. Action Mr. Aldridge</i>	Action	112
Adjourn	<i>3:30 p.m.</i>		

1. **U. T. System: Discussion and appropriate action related to approval of Docket No. 142**

RECOMMENDATION

It is recommended that *Docket No. 142* be approved. The Docket is on green paper behind the Docket tab.

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

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 70 - 77 that follow, and the March Monthly Financial Report on Pages 78 - 102. The reports represent the consolidated and individual operating results of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2006 through February 2010. Ratios requiring balance sheet data are provided for Fiscal Year 2005 through Fiscal Year 2009.

The Monthly Financial Report is provided as support for the Key Financial Indicators. The Report includes the detailed numbers behind the Operating Margin by Institution graph as well as detail for each individual institution as of March 2010.


















THE UNIVERSITY OF TEXAS SYSTEM



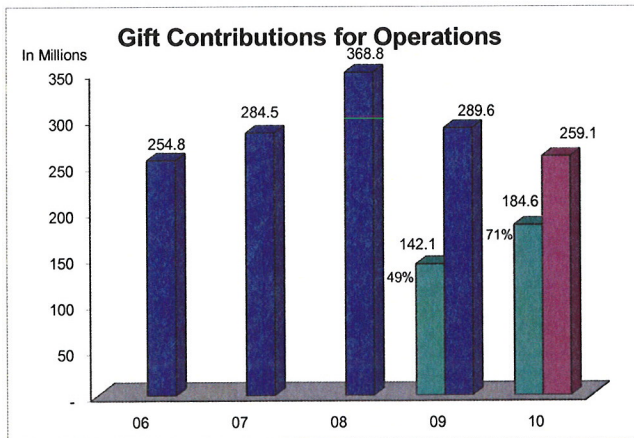
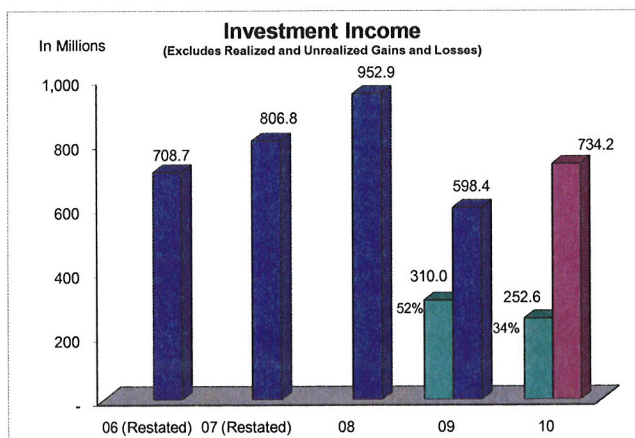
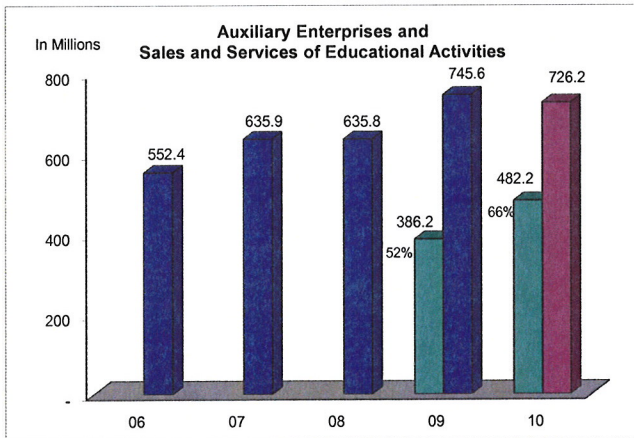
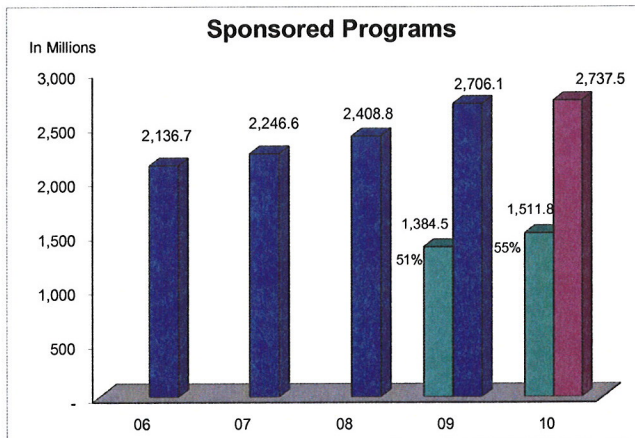
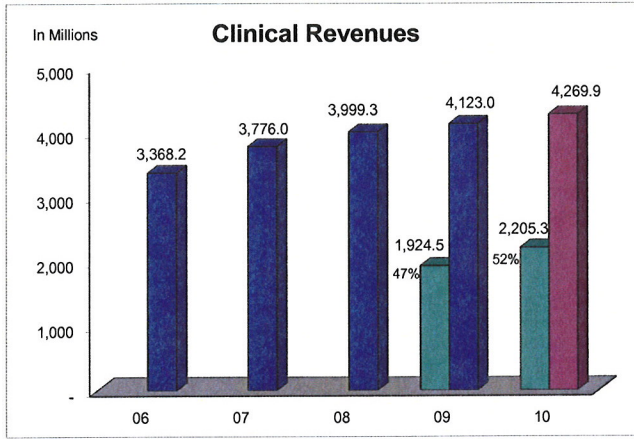
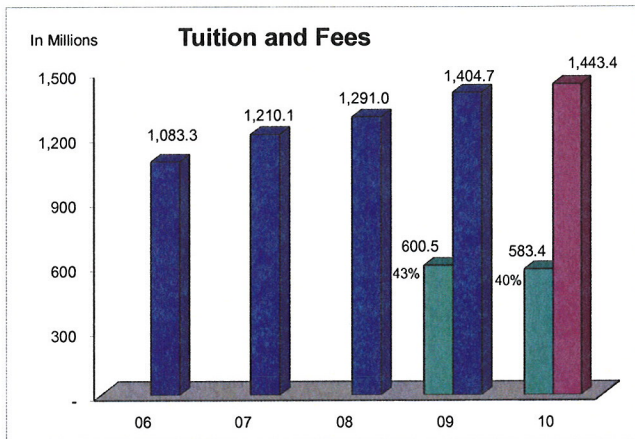
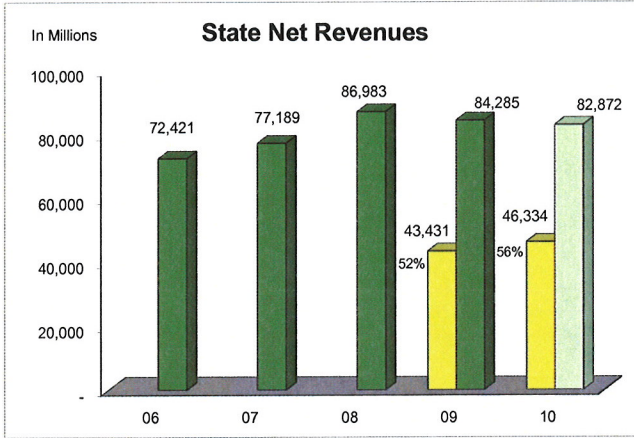
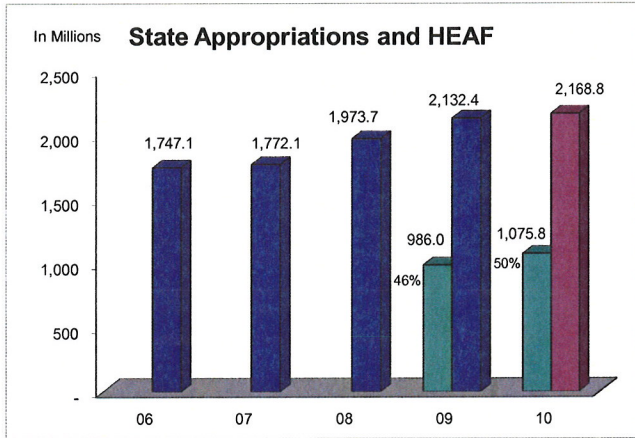
KEY FINANCIAL INDICATORS REPORT

2ND QUARTER FY 2010

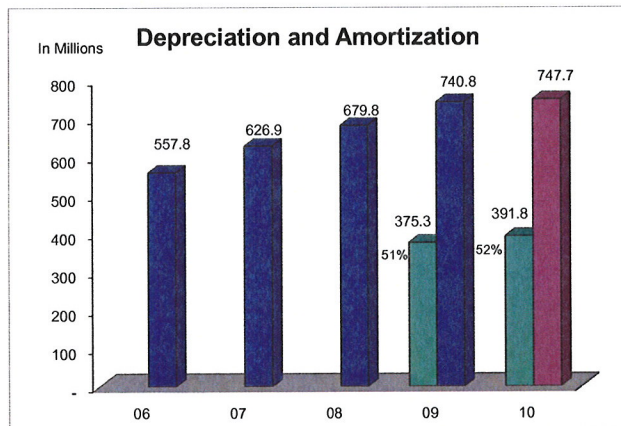
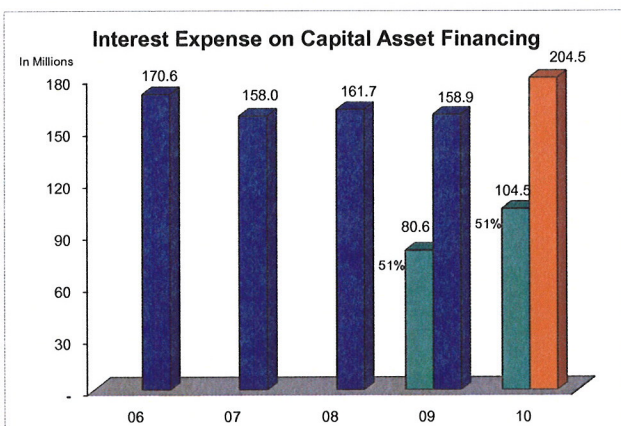
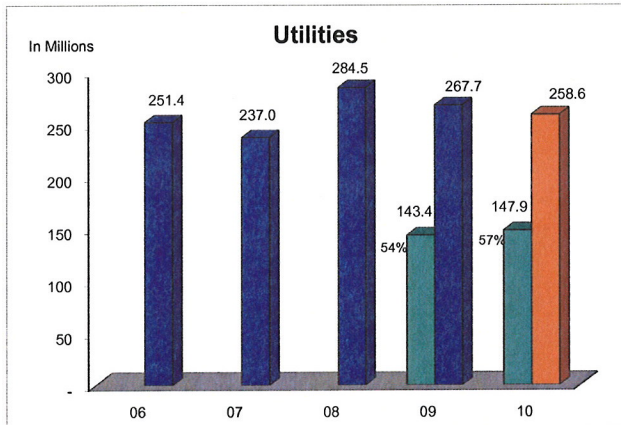
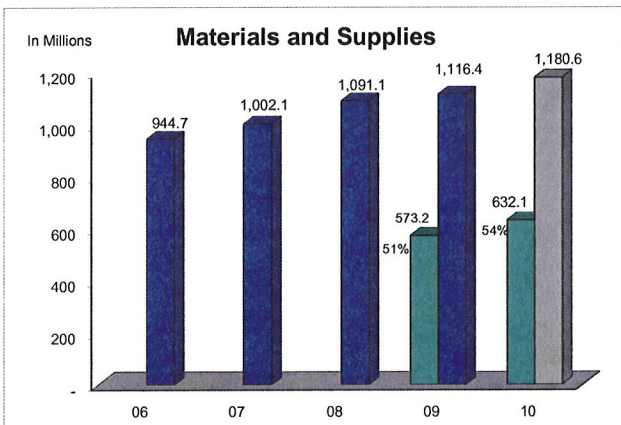
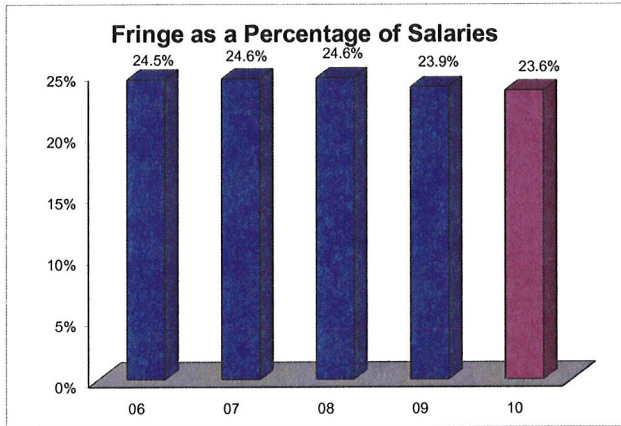
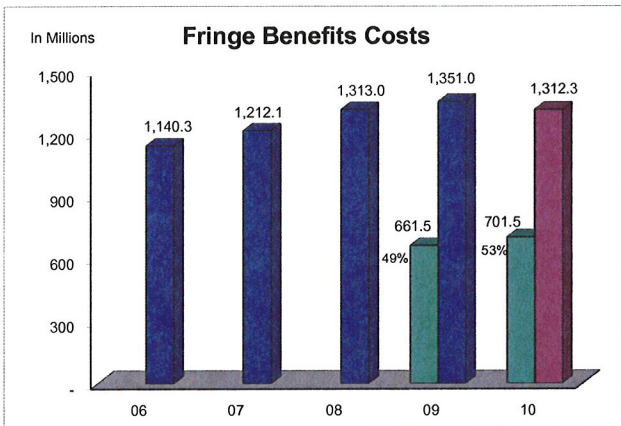
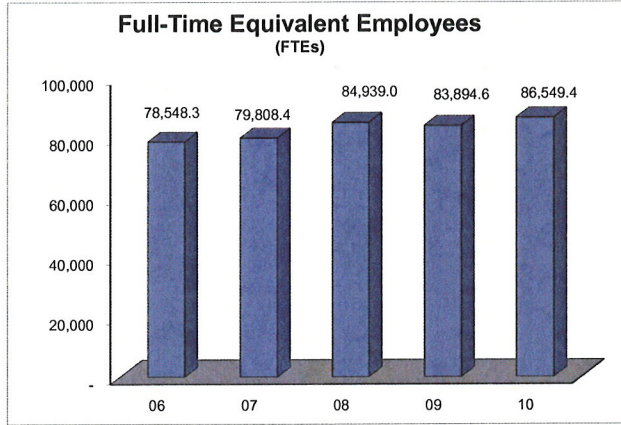
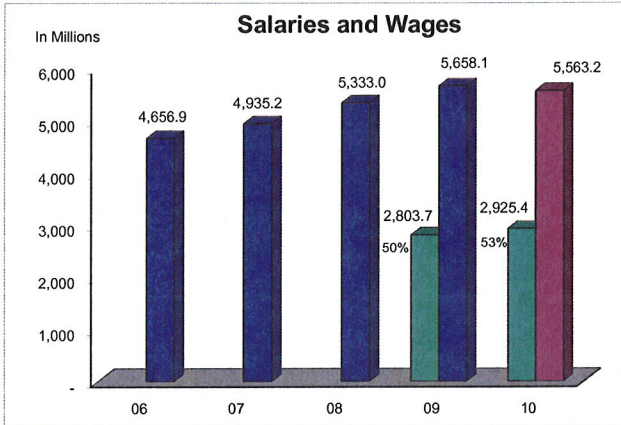
KEY

	Actual Annual Amounts (SOURCE: Annual Financial Reports)
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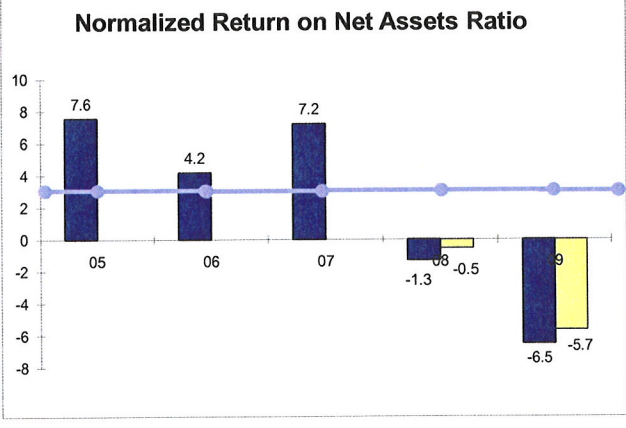
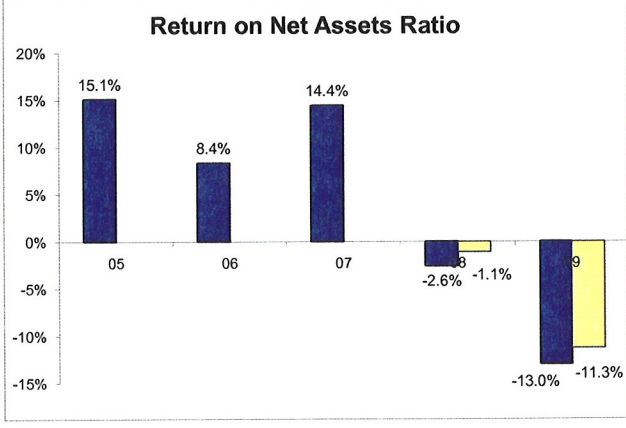
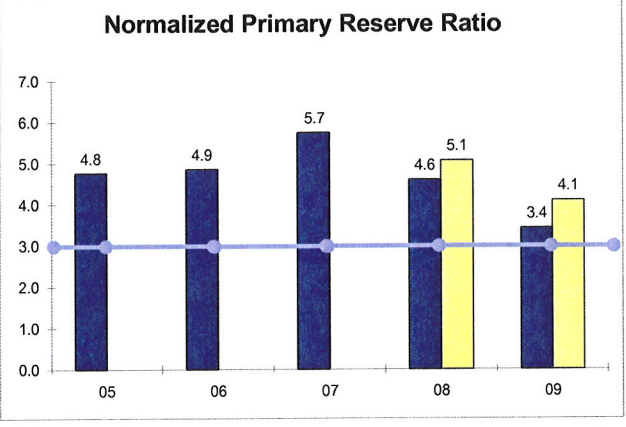
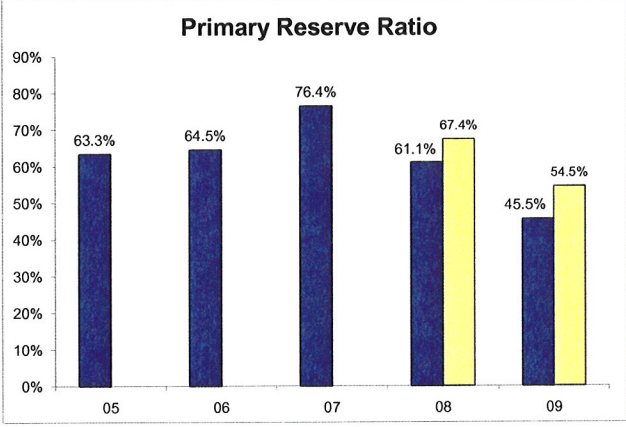
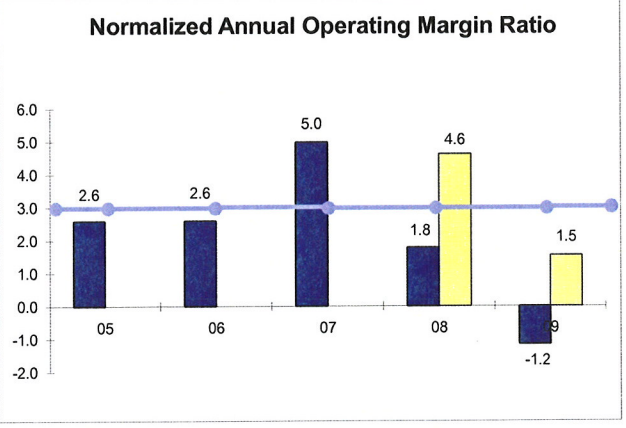
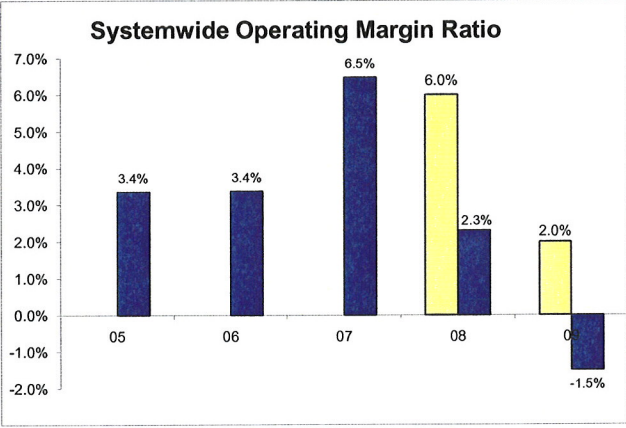
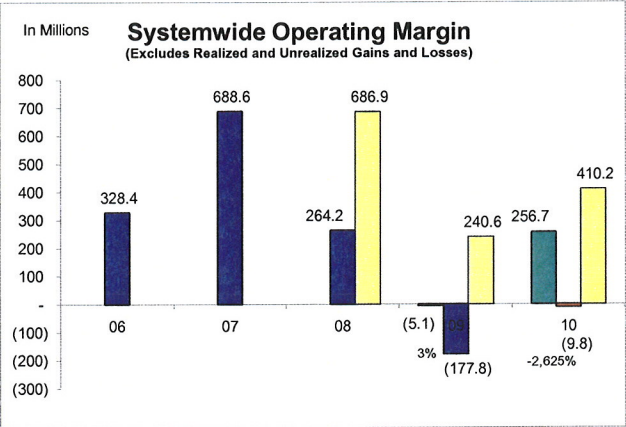
KEY INDICATORS OF REVENUES
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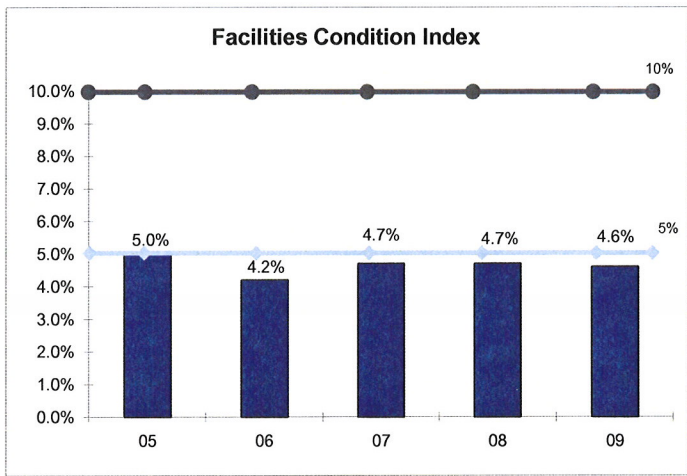
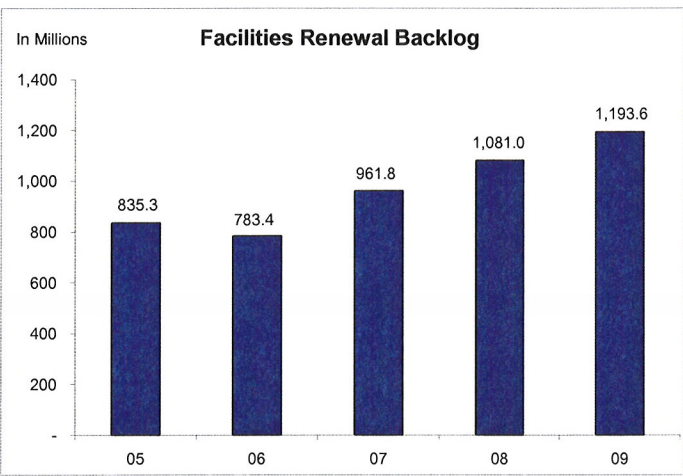
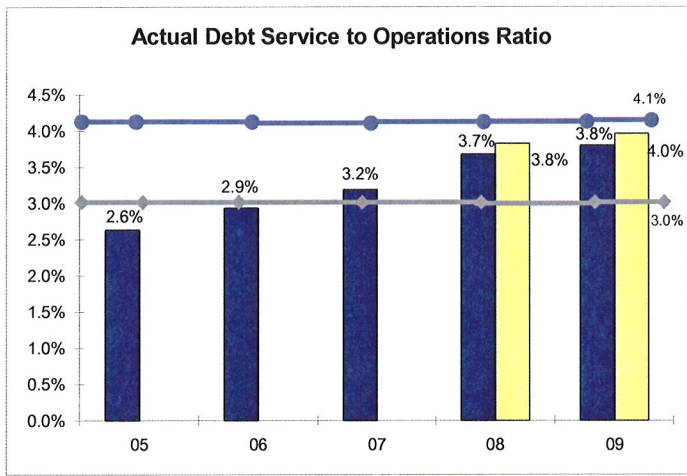
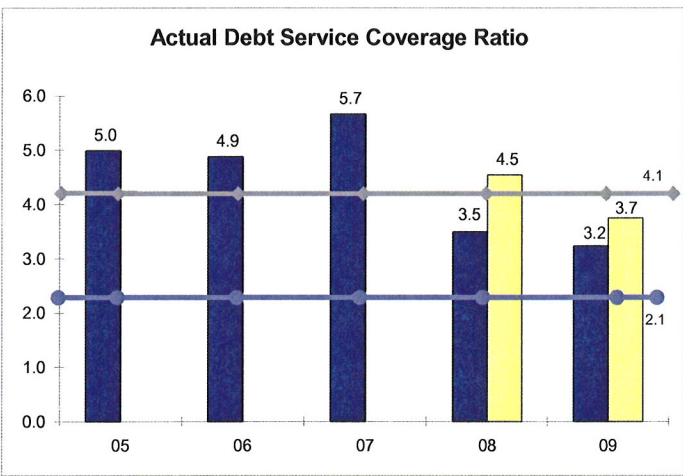
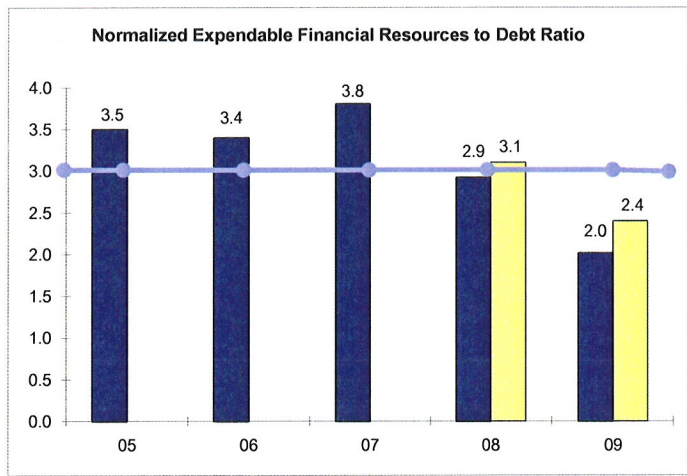
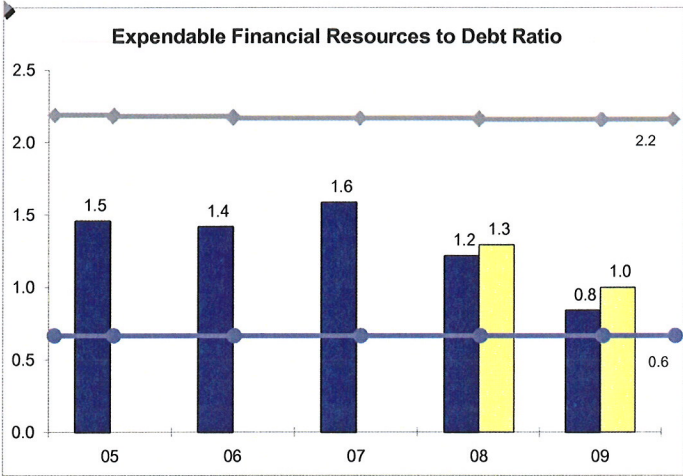
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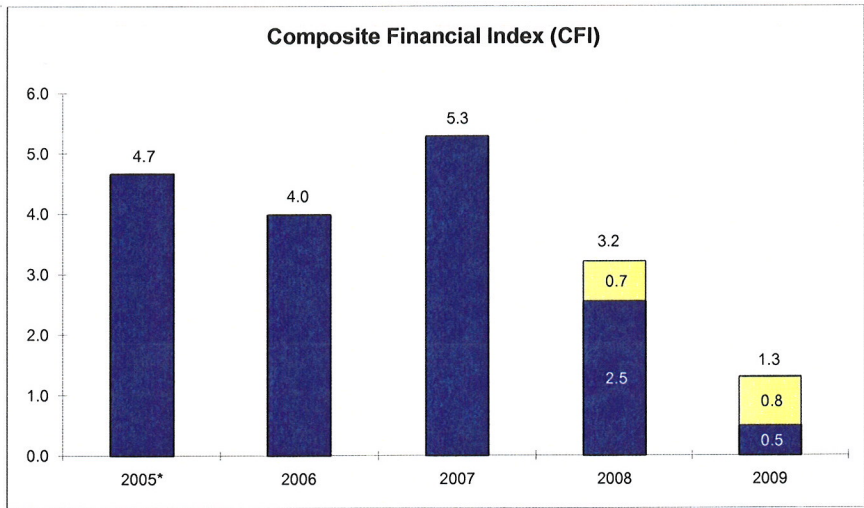
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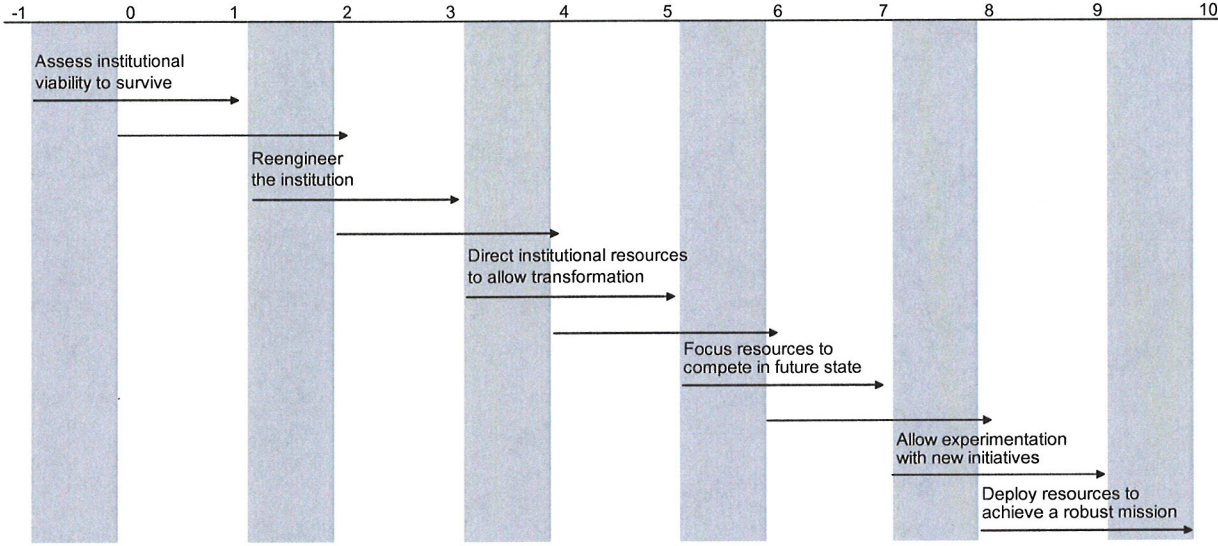


KEY INDICATORS OF FINANCIAL HEALTH 2005 THROUGH 2009

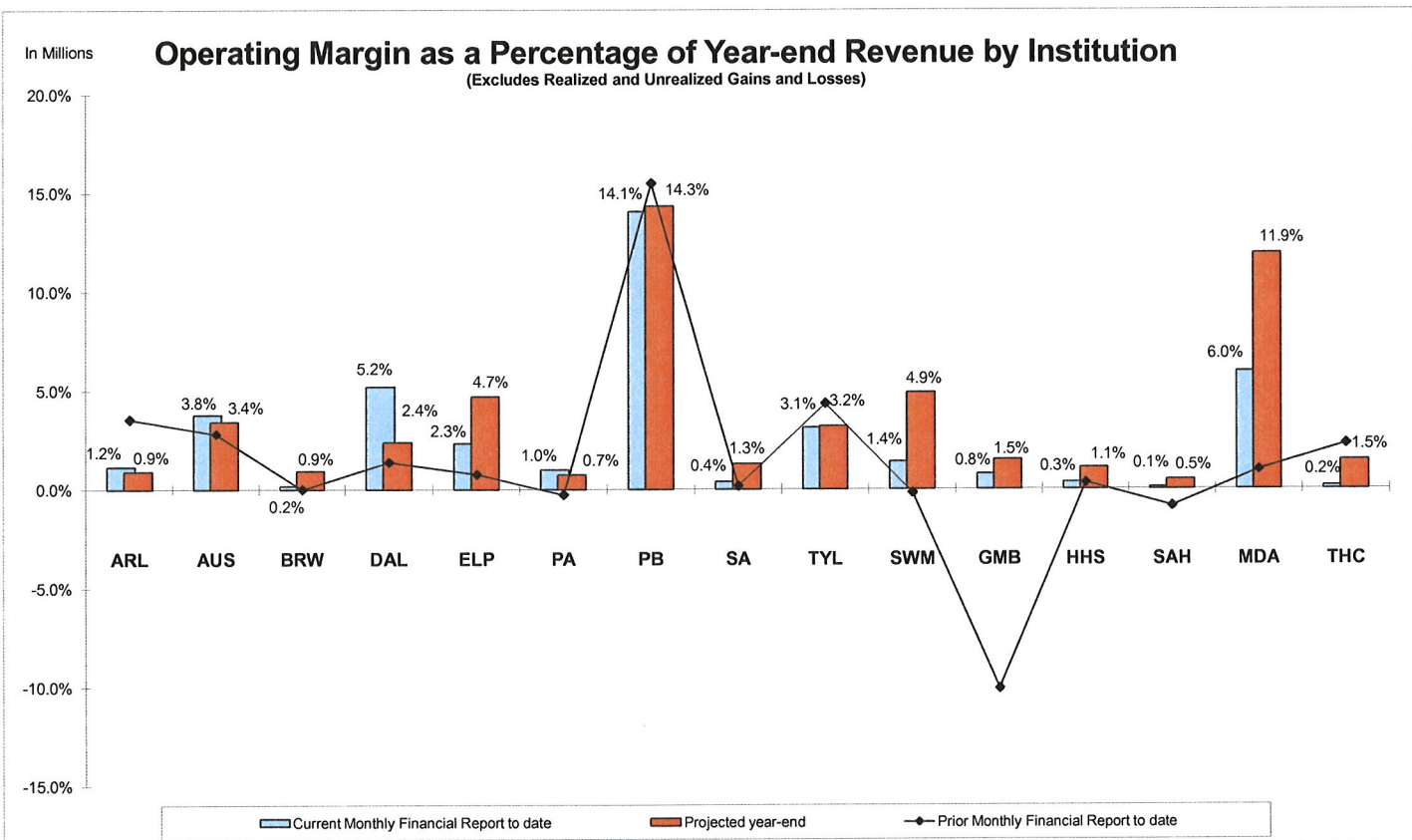
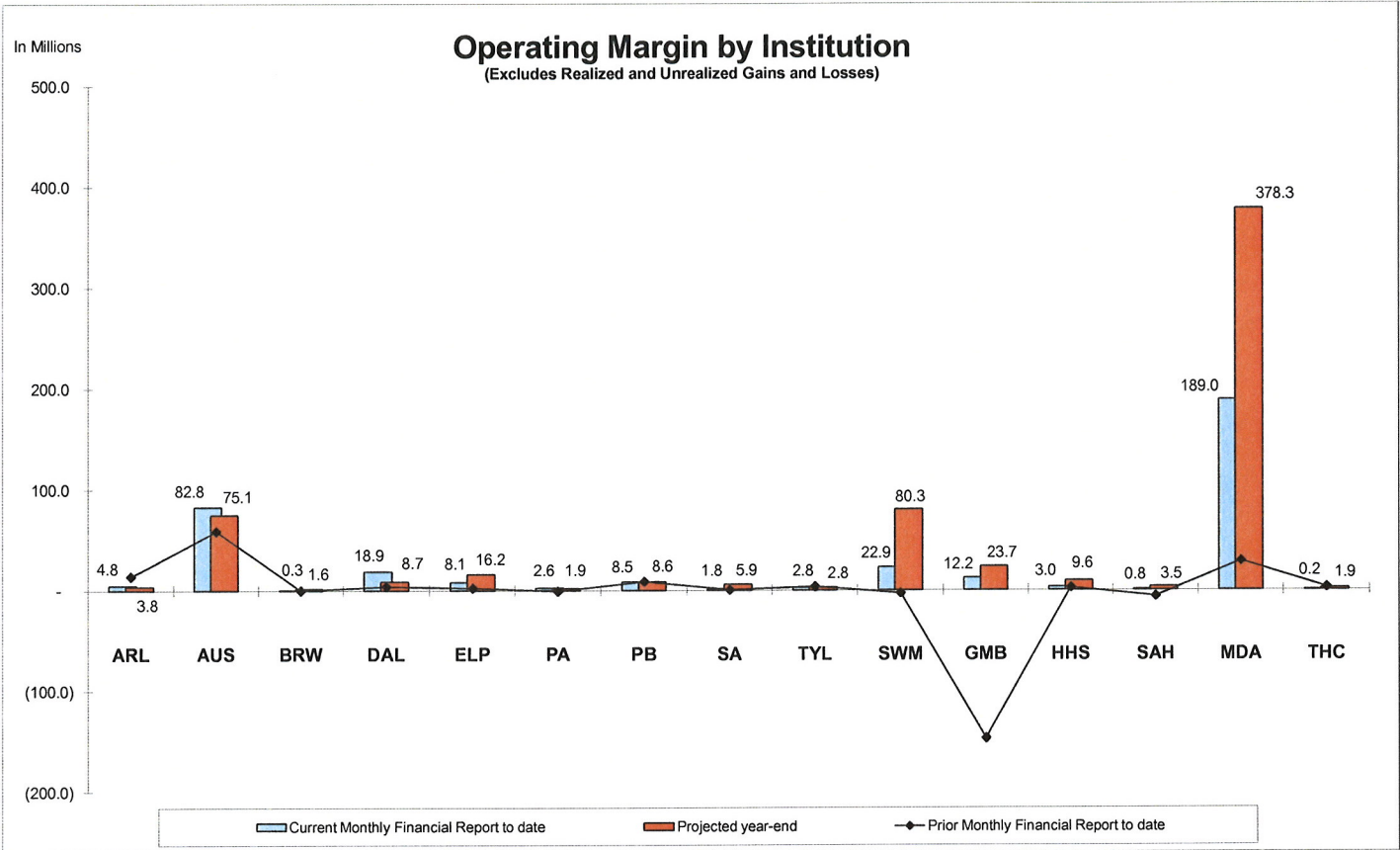


*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit

Scale for Charting CFI Performance



KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2009 AND 2010 FROM FEBRUARY MONTHLY FINANCIAL REPORT
PROJECTED 2010 YEAR-END MARGIN



THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT
(unaudited)

MARCH 2010



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

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

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

Foreword

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

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

UNAUDITED
The University of Texas System
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	<u>March</u> <u>Year-to-Date</u> <u>FY 2010</u>	<u>March</u> <u>Year-to-Date</u> <u>FY 2009</u>	<u>Variance</u>	<u>Fluctuation</u> <u>Percentage</u>
Operating Revenues				
Net Student Tuition and Fees	\$ 672,936,968	\$ 698,963,314	\$ (26,026,346)	-3.7%
Sponsored Programs	1,525,741,784	1,471,534,824	54,206,960	3.7%
Net Sales and Services of Educational Activities	321,619,393	208,730,188	112,889,205	54.1%
Net Sales and Services of Hospitals	1,980,945,751	1,699,960,532	280,985,219	16.5%
Net Professional Fees	618,762,319	570,862,530	47,899,789	8.4%
Net Auxiliary Enterprises	252,206,557	236,668,694	15,537,863	6.6%
Other Operating Revenues	80,769,941	90,323,355	(9,553,414)	-10.6%
Total Operating Revenues	<u>5,452,982,713</u>	<u>4,977,043,436</u>	<u>475,939,277</u>	<u>9.6%</u>
Operating Expenses				
Salaries and Wages	3,418,898,951	3,267,501,410	151,397,541	4.6%
Payroll Related Costs	825,364,067	774,487,833	50,876,234	6.6%
Professional Fees and Contracted Services	182,348,838	274,485,470	(92,136,632)	-33.6%
Scholarships and Fellowships	295,188,014	257,833,407	37,354,607	14.5%
Travel	66,427,694	68,846,178	(2,418,484)	-3.5%
Materials and Supplies	748,208,220	677,149,952	71,058,268	10.5%
Utilities	172,334,784	164,029,625	8,305,159	5.1%
Telecommunications	72,593,287	61,605,292	10,987,995	17.8%
Repairs and Maintenance	126,695,837	119,230,445	7,465,392	6.3%
Rentals and Leases	79,784,178	68,383,594	11,400,584	16.7%
Printing and Reproduction	18,539,691	17,058,477	1,481,214	8.7%
Bad Debt Expense	(39,577)	213,700	(253,277)	-118.5%
Claims and Losses	26,120,246	8,791,786	17,328,460	197.1%
Federal Sponsored Programs Pass-Throughs	14,723,509	12,761,531	1,961,978	15.4%
Depreciation and Amortization	456,535,077	437,329,846	19,205,231	4.4%
Other Operating Expenses	505,266,445	513,062,833	(7,796,388)	-1.5%
Total Operating Expenses	<u>7,008,989,261</u>	<u>6,722,771,379</u>	<u>286,217,882</u>	<u>4.3%</u>
Operating Loss	<u>(1,556,006,548)</u>	<u>(1,745,727,942)</u>	<u>189,721,394</u>	<u>10.9%</u>
Other Nonoperating Adjustments				
State Appropriations	1,234,354,664	1,149,208,445	85,146,219	7.4%
Nonexchange Sponsored Programs	213,321,359	141,281,218	72,040,141	51.0%
Gift Contributions for Operations	198,228,123	166,985,913	31,242,210	18.7%
Net Investment Income	304,659,851	348,667,430	(44,007,579)	-12.6%
Interest Expense on Capital Asset Financings	(118,816,540)	(94,265,623)	(24,550,917)	-26.0%
Net Other Nonoperating Adjustments	<u>1,831,747,457</u>	<u>1,711,877,383</u>	<u>119,870,074</u>	<u>7.0%</u>
Adjusted Income (Loss) including Depreciation	275,740,909	(33,850,559)	309,591,468	914.6%
Adjusted Margin (as a percentage) including Depreciation	3.7%	-0.5%		
Investment Gains (Losses)	2,081,646,268	(5,696,892,378)	7,778,538,646	136.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	\$ 2,357,387,177	\$ (5,730,742,937)	\$ 8,088,130,114	141.1%
Adj. Margin % with Investment Gains (Losses)	24.9%	-527.5%		
Adjusted Income (Loss) with Investment Gains (Losses) excluding Depreciation	2,813,922,254	(5,293,413,091)	8,107,335,345	153.2%
Adjusted Margin (as a percentage) with Investment Gains (Losses) excluding Depreciation	29.7%	-487.3%		

**The University of Texas System
Comparison of Adjusted Income (Loss)
For the Seven Months Ending March 31, 2010**

Including Depreciation and Amortization Expense					
	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance		Fluctuation Percentage
UT System Administration	\$ (24,398,282)	\$ 63,715,728	\$ (88,114,010)	(1)	-138.3%
UT Arlington	2,101,549	12,232,634	(10,131,085)	(2)	-82.8%
UT Austin	80,738,728	58,538,140	22,200,588	(3)	37.9%
UT Brownsville	943,347	229,944	713,403	(4)	310.3%
UT Dallas	15,260,750	5,176,607	10,084,143	(5)	194.8%
UT El Paso	10,051,262	3,540,158	6,511,104	(6)	183.9%
UT Pan American	1,753,489	(1,315,922)	3,069,411	(7)	233.3%
UT Permian Basin	8,917,312	9,483,150	(565,838)		-6.0%
UT San Antonio	3,483,633	2,449,969	1,033,664		42.2%
UT Tyler	2,730,560	3,827,754	(1,097,194)		-28.7%
UT Southwestern Medical Center - Dallas	29,903,505	(128,034)	30,031,539	(8)	23,455.9%
UT Medical Branch - Galveston	18,069,252	(134,672,241)	152,741,493	(9)	113.4%
UT Health Science Center - Houston	4,732,912	2,159,615	2,573,297	(10)	119.2%
UT Health Science Center - San Antonio	2,330,207	(6,048,303)	8,378,510	(11)	138.5%
UT M. D. Anderson Cancer Center	221,374,482	40,685,176	180,689,306	(12)	444.1%
UT Health Science Center - Tyler	852,370	3,303,816	(2,451,446)	(13)	-74.2%
Elimination of AUF Transfer	(103,104,167)	(97,028,750)	(6,075,417)		-6.3%
Total Adjusted Income (Loss)	<u>275,740,909</u>	<u>(33,850,559)</u>	<u>309,591,468</u>		<u>914.6%</u>
Investment Gains (Losses)	2,081,646,268	(5,696,892,378)	7,778,538,646	(14)	136.5%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	<u>\$ 2,357,387,177</u>	<u>\$ (5,730,742,937)</u>	<u>\$ 8,088,130,114</u>		<u>141.1%</u>

Excluding Depreciation and Amortization Expense					
	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance		Fluctuation Percentage
UT System Administration	\$ (18,200,649)	\$ 70,101,329	\$ (88,301,978)		-126.0%
UT Arlington	17,258,244	23,952,887	(6,694,643)		-27.9%
UT Austin	178,972,909	150,963,045	28,009,864		18.6%
UT Brownsville	4,247,292	3,592,391	654,901		18.2%
UT Dallas	31,132,768	18,997,394	12,135,374		63.9%
UT El Paso	20,576,127	13,457,189	7,118,938		52.9%
UT Pan American	9,594,482	6,178,476	3,416,006		55.3%
UT Permian Basin	11,306,056	11,682,310	(376,254)		-3.2%
UT San Antonio	25,207,551	21,438,294	3,769,257		17.6%
UT Tyler	8,347,002	9,089,143	(742,141)		-8.2%
UT Southwestern Medical Center - Dallas	75,771,865	44,104,864	31,667,001		71.8%
UT Medical Branch - Galveston	61,262,860	(90,306,306)	151,569,166		167.8%
UT Health Science Center - Houston	27,954,236	25,493,159	2,461,077		9.7%
UT Health Science Center - San Antonio	20,996,874	12,216,695	8,780,179		71.9%
UT M. D. Anderson Cancer Center	355,905,133	171,844,333	184,060,800		107.1%
UT Health Science Center - Tyler	5,047,403	7,702,834	(2,655,431)		-34.5%
Elimination of AUF Transfer	(103,104,167)	(97,028,750)	(6,075,417)		-6.3%
Total Adjusted Income (Loss)	<u>732,275,986</u>	<u>403,479,287</u>	<u>328,796,699</u>		<u>81.5%</u>
Investment Gains (Losses)	2,081,646,268	(5,696,892,378)	7,778,538,646		136.5%
Total Adjusted Income (Loss) with Investment Gains (Losses) Excluding Depreciation and Amortization	<u>\$ 2,813,922,254</u>	<u>\$ (5,293,413,091)</u>	<u>\$ 8,107,335,345</u>		<u>153.2%</u>

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

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

- (1) UT System Administration – The \$88.1 million (138.3%) decrease in adjusted income over the same period last year was primarily due to a decrease in the income of the Permanent University Fund (PUF) Lands, a decrease in other operating revenue and an increase in claims and losses. The PUF Lands decrease is attributable to a record high oil and gas bonus lease sale in October 2008, a decrease in oil prices and a decline in gas production. In addition, the Long Term Fund distribution increased resulting in a reduction in net investment income. The decrease in other operating revenue is due to a \$7 million rebate of professional medical liability premiums that occurred in March 2010. The increase in claims and losses is due to increased medical insurance claims for Blue Cross Blue Shield. UT System Administration's adjusted loss was \$18.2 million or 23% excluding depreciation expense.
- (2) UT Arlington – The \$10.1 million (82.8%) decrease in adjusted income over the same period last year was due to an increase in salaries and wages and payroll related costs as a result of merit increases and the hiring of additional adjunct professors due to increased enrollment. Excluding depreciation expense, UT Arlington's adjusted income was \$17.3 or 7.1%.
- (3) UT Austin – The \$22.2 million (37.9%) increase in adjusted income over the same period last year was due to an increase in state appropriations due to increased formula funding and an increase in net investment income due to improved market conditions. Excluding depreciation expense, UT Austin's adjusted income was \$179 million or 12.9%.
- (4) UT Brownsville – The \$713,000 (310.3%) increase in adjusted income over the same period last year was primarily attributable to an increase in state appropriations due to increased formula funding. Excluding depreciation expense, UT Brownsville's adjusted income was \$4.2 million or 3.6%.
- (5) UT Dallas – The \$10.1 million (194.8%) increase in adjusted income over the same period last year was due to an increase in nonexchange sponsored programs as a result of funding from the American Recovery and Reinvestment Act (ARRA) and from the Texas Research Incentive Programs (TRIP) matching in line with UT Dallas' tier one initiative. Excluding depreciation expense, UT Dallas' adjusted income was \$31.1 million or 14.8%.
- (6) UT El Paso – The \$6.5 million (183.9%) increase in adjusted income over the same period last year was primarily due to an increase in state appropriations and gift contributions for operations. State appropriations increased due to increased formula funding. Gift contributions for operations increased due to increased pledge commitments as part of the Centennial Campaign. Excluding depreciation expense, UT El Paso's adjusted income was \$20.6 million or 9%.
- (7) UT Pan American – The \$3.1 million (233.3%) increase in adjusted income over the same period last year was due to an increase in state appropriations, gift contributions for operations and net investment income. State appropriations increased due to increased formula funding. Gift contributions for operations increased due to increased gifts for restricted scholarships for the Hispanic Engineering Science and Technology Program. Net investment income increased due to an increase in royalty income for the bookstore guarantees and vending machine commissions. Excluding depreciation expense, UT Pan American's adjusted income was \$9.6 million or 5.3%.
- (8) UT Southwestern Medical Center - Dallas – The \$30 million (23,455.9%) increase in adjusted income over the same period last year was primarily due to an increase in net sales and services of hospitals as a result of increased inpatient and outpatient visits. Excluding depreciation expense, Southwestern's adjusted income was \$75.8 million or 8.1%.
- (9) UT Medical Branch - Galveston – The \$152.7 million (113.4%) increase in adjusted income over the same period last year was primarily due to the recovery from the business disruption in revenue generating activities and expenses related to Hurricane *Ike* in 2009. Operating revenues increased \$79.9 million and operating expenses decreased \$42.7 million. Patient care revenue increased \$122.6 million, with increases in admissions of 74%, patient days of 121%, and clinic visits of 16% as compared to last year. Professional fees and contracted services expense decreased \$65.6 million due to a reduction of expenses related to the recovery from Hurricane *Ike*.

There are processes in place to closely monitor staffing levels across *UTMB*, and planning is underway to address year-to-date realized losses in Correctional Managed Care (CMC) of \$13.2 million which are expected to continue unless corrective action is taken. Cash flow continues to be closely monitored as campus rebuilding activities commence in January 2010. Excluding depreciation expense, *UTMB*'s adjusted income was \$61.3 million or 6.7%. *UTMB* is forecasting a year-end margin of \$23.7 million which represents 1.5% of projected revenues. This forecast includes additional savings to address the \$17.9 million anticipated reduction in general revenue for 2011 and \$73.2 million of depreciation expense.

sales and services of hospitals and net professional fees due to the loss of *UTMB*'s Correctional Managed Care patients in 2010. Excluding depreciation expense, *UTHSC-Tyler*'s adjusted income was \$5 million or 7.1%.

- (10) *UT Health Science Center – Houston* – The \$2.6 million (119.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in net investment income due to improved market conditions and realized investment gains from the proceeds from the sale of Volcano Corporation stock. Excluding depreciation expense, *UTHSC-Houston*'s adjusted income was \$28 million or 5.3%.
- (11) *UT Health Science Center – San Antonio* – The \$8.4 million (138.5%) increase in adjusted increase over the same period last year was primarily attributable to an increase in state appropriations due to incremental formula funding and special item funding for the San Antonio Life Sciences Institute and the Regional Academic Health Center. While *UTHSC-San Antonio* had adjusted income of \$2.3 million, the Cancer Therapy Research Center (CTRC) incurred a \$2.3 million loss. The School of Medicine has developed a plan to make CTRC break even in 2010 which includes a reduction in the number of employees and reduction in costs. *UTHSC-San Antonio* anticipates ending the year with a \$3.5 million positive margin which represents 0.5% of projected revenues and includes \$32 million of depreciation expense. Excluding depreciation expense, *UTHSC-San Antonio*'s adjusted income was \$21 million or 5.1%.
- (12) *UT M. D. Anderson Cancer Center* – The \$180.7 million (444.1%) increase in adjusted income over the same period last year was primarily attributable to the recovery from the business disruption in revenue generating activities related to Hurricane *Ike* in 2009. Operating revenues increased \$166.6 million due to increased patient activity and patient volumes. Gift contributions for operations also increased due to a pledge of \$10 million from HEB, \$5 million from the John Foundation and an increase in various large cash gifts. Excluding depreciation expense, *M. D. Anderson*'s adjusted income was \$355.9 million or 19.2%.
- (13) *UT Health Science Center – Tyler* – The \$2.5 million (74.2%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in net

- (14) *Investment Gains (Losses)* - The majority of the \$7.8 billion (136.5%) increase in investment gains relates to the Permanent University Fund of \$4.2 billion, the Long Term Fund of \$2 billion, and the Permanent Health Fund of \$374.7 million.

GLOSSARY OF TERMS

OPERATING REVENUES:

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

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals, excluding Federal Pell Grant Program which is reported as nonoperating. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES – Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from UT health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES – Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

NET AUXILIARY ENTERPRISES – Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).

OTHER OPERATING REVENUES – Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.)

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. Includes faculty incentive payments and supplemental retirement annuities.

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, net of tuition discounting.

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 other operating 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.

NONEXCHANGE SPONSORED PROGRAMS – Federal funding received for the Federal Pell Grant Program.

GIFT CONTRIBUTIONS FOR OPERATIONS – Consist of gifts from donors received for use in current operations, excluding gifts for capital acquisition and endowment gifts. Gifts for capital acquisition which can only be used to build or buy capital assets are excluded because they 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, Short Term Fund, Intermediate Term Fund and Long Term Fund. It also includes distributed earnings from the Permanent Health Fund and patent and royalty income.

NET INVESTMENT INCOME (on the consolidated sheet) – Interest and dividend earnings of the Permanent University Fund, Short Term Fund, Intermediate Term Fund, Long Term Fund and Permanent Health Fund. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS – Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

ADJUSTED INCOME (LOSS) including Depreciation – 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 Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	\$ 26,271,944	\$ 7,544,994	\$ 18,726,950	248.2%
Net Sales and Services of Educational Activities	12,909,346	24,425,012	(11,515,666)	-47.1%
Other Operating Revenues	(8,125,540)	(576,067)	(7,549,473)	-1,310.5%
Total Operating Revenues	31,055,750	31,393,939	(338,189)	-1.1%
Operating Expenses				
Salaries and Wages	18,300,239	20,080,213	(1,779,974)	-8.9%
Employee Benefits and Related Costs	4,064,081	4,355,451	(291,370)	-6.7%
Professional Fees and Contracted Services	1,381,591	5,050,076	(3,668,485)	-72.6%
Scholarships and Fellowships	132,900	554,200	(421,300)	-76.0%
Travel	1,135,337	1,104,077	31,260	2.8%
Materials and Supplies	1,597,349	2,440,483	(843,134)	-34.5%
Utilities	200,227	212,766	(12,539)	-5.9%
Telecommunications	2,577,355	3,010,906	(433,551)	-14.4%
Repairs and Maintenance	2,107,154	877,923	1,229,231	140.0%
Rentals and Leases	440,613	696,846	(256,233)	-36.8%
Printing and Reproduction	237,306	130,755	106,551	81.5%
Claims and Losses	26,120,246	8,791,786	17,328,460	197.1%
Depreciation and Amortization	6,197,633	6,385,601	(187,968)	-2.9%
Other Operating Expenses	17,330,532	10,747,453	6,583,079	61.3%
Total Operating Expenses	81,822,563	64,438,536	17,384,027	27.0%
Operating Loss	(50,766,813)	(33,044,597)	(17,722,216)	-53.6%
Other Nonoperating Adjustments				
State Appropriations	1,166,667	537,850	628,817	116.9%
Gift Contributions for Operations	524,733	605,354	(80,621)	-13.3%
Net Investment Income	27,258,433	97,147,305	(69,888,872)	-71.9%
Interest Expense on Capital Asset Financings	(21,851,063)	(21,852,002)	939	0.0%
Net Other Nonoperating Adjustments	7,098,770	76,438,507	(69,339,737)	-90.7%
Adjusted Income (Loss) including Depreciation	(43,668,043)	43,393,910	(87,061,953)	-200.6%
Adjusted Margin (as a percentage) including Depreciation	-72.8%	33.5%		
Available University Fund Transfer	19,269,761	20,321,818	(1,052,057)	-5.2%
Adjusted Income (Loss) with AUF Transfer	(24,398,282)	63,715,728	(88,114,010)	-138.3%
Adjusted Margin % with AUF Transfer	-30.8%	42.5%		
Investment Gains (Losses)	1,833,582,102	(4,790,388,037)	6,623,970,139	138.3%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	\$ 1,809,183,820	\$ (4,726,672,309)	\$ 6,535,856,129	138.3%
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	94.6%	-101.9%		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation	(18,200,649)	70,101,329	(88,301,978)	-126.0%
Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation	-23.0%	46.7%		

UNAUDITED
The University of Texas at Arlington
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 89,508,187	\$ 80,481,526	\$ 9,026,661	11.2%
Sponsored Programs	30,070,933	28,357,911	1,713,022	6.0%
Net Sales and Services of Educational Activities	7,985,474	9,201,871	(1,216,397)	-13.2%
Net Auxiliary Enterprises	15,460,730	15,333,517	127,213	0.8%
Other Operating Revenues	5,258,668	5,265,164	(6,496)	-0.1%
Total Operating Revenues	148,283,992	138,639,989	9,644,003	7.0%
Operating Expenses				
Salaries and Wages	123,143,264	114,648,836	8,494,428	7.4%
Employee Benefits and Related Costs	27,650,792	24,992,828	2,657,964	10.6%
Professional Fees and Contracted Services	2,301,236	1,877,233	424,003	22.6%
Scholarships and Fellowships	17,204,346	5,482,664	11,721,682	213.8%
Travel	3,580,916	3,272,697	308,219	9.4%
Materials and Supplies	12,126,115	12,102,015	24,100	0.2%
Utilities	5,895,785	6,476,272	(580,487)	-9.0%
Telecommunications	4,150,779	4,037,381	113,398	2.8%
Repairs and Maintenance	4,948,316	4,951,213	(2,897)	-0.1%
Rentals and Leases	2,136,837	1,773,497	363,340	20.5%
Printing and Reproduction	1,636,509	1,499,627	136,882	9.1%
Federal Sponsored Programs Pass-Thrus	1,005,101	1,171,231	(166,130)	-14.2%
Depreciation and Amortization	15,156,695	11,720,253	3,436,442	29.3%
Other Operating Expenses	14,644,063	12,755,186	1,888,877	14.8%
Total Operating Expenses	235,580,754	206,760,933	28,819,821	13.9%
Operating Loss	(87,296,762)	(68,120,944)	(19,175,818)	-28.1%
Other Nonoperating Adjustments				
State Appropriations	68,305,774	65,056,010	3,249,764	5.0%
Nonexchange Sponsored Programs	17,500,000	12,753,773	4,746,227	37.2%
Gift Contributions for Operations	2,474,642	1,220,188	1,254,454	102.8%
Net Investment Income	6,488,947	5,636,514	852,433	15.1%
Interest Expense on Capital Asset Financings	(5,371,052)	(4,312,907)	(1,058,145)	-24.5%
Net Other Nonoperating Adjustments	89,398,311	80,353,578	9,044,733	11.3%
Adjusted Income (Loss) including Depreciation	2,101,549	12,232,634	(10,131,085)	-82.8%
Adjusted Margin (as a percentage) including Depreciation	0.9%	5.5%		
Investment Gains (Losses)	9,353,682	(42,828,150)	52,181,832	121.8%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 11,455,231	\$ (30,595,516)	\$ 42,050,747	137.4%
Adjusted Margin % with Investment Gains (Losses)	4.5%	-17.0%		
Adjusted Income (Loss) excluding Depreciation	17,258,244	23,952,887	(6,694,643)	-27.9%
Adjusted Margin (as a percentage) excluding Depreciation	7.1%	10.7%		

UNAUDITED
The University of Texas at Austin
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 215,123,431	\$ 283,841,160	\$ (68,717,729)	-24.2%
Sponsored Programs	295,179,200	280,190,455	14,988,745	5.3%
Net Sales and Services of Educational Activities	212,033,616	93,071,628	118,961,988	127.8%
Net Auxiliary Enterprises	147,846,876	136,023,538	11,823,338	8.7%
Other Operating Revenues	3,312,492	3,655,808	(343,316)	-9.4%
Total Operating Revenues	873,495,615	796,782,589	76,713,026	9.6%
Operating Expenses				
Salaries and Wages	631,421,261	581,031,696	50,389,565	8.7%
Employee Benefits and Related Costs	144,375,369	131,302,984	13,072,385	10.0%
Professional Fees and Contracted Services	17,031,110	18,796,230	(1,765,120)	-9.4%
Scholarships and Fellowships	51,785,493	73,269,103	(21,483,610)	-29.3%
Travel	23,445,012	23,546,619	(101,607)	-0.4%
Materials and Supplies	74,201,115	75,609,276	(1,408,161)	-1.9%
Utilities	55,655,652	42,911,094	12,744,558	29.7%
Telecommunications	33,609,507	21,913,710	11,695,797	53.4%
Repairs and Maintenance	24,807,705	21,728,771	3,078,934	14.2%
Rentals and Leases	12,713,101	10,178,609	2,534,492	24.9%
Printing and Reproduction	6,890,997	6,186,926	704,071	11.4%
Federal Sponsored Programs Pass-Thrus	1,875,651	1,653,326	222,325	13.4%
Depreciation and Amortization	98,234,181	92,424,905	5,809,276	6.3%
Other Operating Expenses	105,122,855	92,592,826	12,530,029	13.5%
Total Operating Expenses	1,281,169,009	1,193,146,075	88,022,934	7.4%
Operating Loss	(407,673,394)	(396,363,486)	(11,309,908)	-2.9%
Other Nonoperating Adjustments				
State Appropriations	208,182,774	198,819,040	9,363,734	4.7%
Nonexchange Sponsored Programs	28,066,363	17,248,773	10,817,590	62.7%
Gift Contributions for Operations	70,850,379	69,889,439	960,940	1.4%
Net Investment Income	98,882,303	91,912,898	6,969,405	7.6%
Interest Expense on Capital Asset Financings	(20,673,864)	(19,997,275)	(676,589)	-3.4%
Net Other Nonoperating Adjustments	385,307,955	357,872,875	27,435,080	7.7%
Adjusted Income (Loss) including Depreciation	(22,365,439)	(38,490,610)	16,125,171	41.9%
Adjusted Margin (as a percentage) including Depreciation	-1.7%	-3.3%		
Available University Fund Transfer	103,104,167	97,028,750	6,075,417	6.3%
Adjusted Income (Loss) with AUF Transfer	80,738,728	58,538,140	22,200,588	37.9%
Adjusted Margin % with AUF Transfer	5.8%	4.6%		
Investment Gains (Losses)	57,718,001	(218,763,445)	276,481,446	126.4%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	\$ 138,456,729	\$ (160,225,305)	\$ 298,682,034	186.4%
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	9.6%	-15.2%		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation	178,972,909	150,963,045	28,009,864	18.6%
Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation	12.9%	11.9%		

UNAUDITED
The University of Texas at Brownsville
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 11,605,344	\$ 10,921,114	\$ 684,230	6.3%
Sponsored Programs	49,506,505	46,520,838	2,985,667	6.4%
Net Sales and Services of Educational Activities	1,084,556	1,112,002	(27,446)	-2.5%
Net Auxiliary Enterprises	830,722	709,399	121,323	17.1%
Other Operating Revenues	14,669	5,398	9,271	171.7%
Total Operating Revenues	63,041,796	59,268,751	3,773,045	6.4%
Operating Expenses				
Salaries and Wages	40,211,908	38,242,250	1,969,658	5.2%
Employee Benefits and Related Costs	10,494,627	9,284,415	1,210,212	13.0%
Professional Fees and Contracted Services	1,027,320	1,209,054	(181,734)	-15.0%
Scholarships and Fellowships	47,600,610	37,807,521	9,793,089	25.9%
Travel	578,295	682,626	(104,331)	-15.3%
Materials and Supplies	3,057,172	3,428,039	(370,867)	-10.8%
Utilities	2,231,204	2,012,696	218,508	10.9%
Telecommunications	831,559	942,669	(111,110)	-11.8%
Repairs and Maintenance	1,097,355	805,288	292,067	36.3%
Rentals and Leases	1,154,853	1,182,871	(28,018)	-2.4%
Printing and Reproduction	145,023	197,733	(52,710)	-26.7%
Bad Debt Expense	23,459	20,851	2,608	12.5%
Depreciation and Amortization	3,303,945	3,362,447	(58,502)	-1.7%
Other Operating Expenses	3,686,839	4,193,002	(506,163)	-12.1%
Total Operating Expenses	115,507,481	103,394,538	12,112,943	11.7%
Operating Loss	(52,465,685)	(44,125,787)	(8,339,898)	-18.9%
Other Nonoperating Adjustments				
State Appropriations	23,691,051	22,450,209	1,240,842	5.5%
Nonexchange Sponsored Programs	29,878,237	21,756,187	8,122,050	37.3%
Gift Contributions for Operations	248,095	352,287	(104,192)	-29.6%
Net Investment Income	648,934	682,608	(33,674)	-4.9%
Interest Expense on Capital Asset Financings	(1,057,285)	(885,560)	(171,725)	-19.4%
Net Other Nonoperating Adjustments	53,409,032	44,355,731	9,053,301	20.4%
Adjusted Income (Loss) including Depreciation	943,347	229,944	713,403	310.3%
Adjusted Margin (as a percentage) including Depreciation	0.8%	0.2%		
Investment Gains (Losses)	1,649,716	(5,985,766)	7,635,482	127.6%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 2,593,063	\$ (5,755,822)	\$ 8,348,885	145.1%
Adjusted Margin % with Investment Gains (Losses)	2.2%	-5.8%		
Adjusted Income (Loss) excluding Depreciation	4,247,292	3,592,391	654,901	18.2%
Adjusted Margin (as a percentage) excluding Depreciation	3.6%	3.4%		

UNAUDITED
The University of Texas at Dallas
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 80,185,332	\$ 73,338,431	\$ 6,846,901	9.3%
Sponsored Programs	27,001,402	27,475,565	(474,163)	-1.7%
Net Sales and Services of Educational Activities	6,066,642	4,527,765	1,538,877	34.0%
Net Auxiliary Enterprises	5,040,061	4,055,535	984,526	24.3%
Other Operating Revenues	1,597,693	4,869,421	(3,271,728)	-67.2%
Total Operating Revenues	119,891,130	114,266,716	5,624,414	4.9%
Operating Expenses				
Salaries and Wages	100,844,818	93,827,046	7,017,772	7.5%
Employee Benefits and Related Costs	21,234,989	18,876,019	2,358,970	12.5%
Professional Fees and Contracted Services	3,451,942	2,684,367	767,575	28.6%
Scholarships and Fellowships	12,761,728	12,223,745	537,983	4.4%
Travel	2,102,222	2,124,404	(22,182)	-1.0%
Materials and Supplies	9,722,225	9,358,663	363,562	3.9%
Utilities	6,070,259	5,269,967	800,292	15.2%
Telecommunications	560,931	795,010	(234,079)	-29.4%
Repairs and Maintenance	1,009,469	2,177,613	(1,168,144)	-53.6%
Rentals and Leases	1,433,249	1,046,427	386,822	37.0%
Printing and Reproduction	851,134	787,735	63,399	8.0%
Federal Sponsored Programs Pass-Thrus	197,344	132,964	64,380	48.4%
Depreciation and Amortization	15,872,018	13,820,787	2,051,231	14.8%
Other Operating Expenses	14,222,840	13,463,722	759,118	5.6%
Total Operating Expenses	190,335,168	176,588,469	13,746,699	7.8%
Operating Loss	(70,444,038)	(62,321,753)	(8,122,285)	-13.0%
Other Nonoperating Adjustments				
State Appropriations	57,014,748	53,585,308	3,429,440	6.4%
Nonexchange Sponsored Programs	17,299,294	4,254,370	13,044,924	306.6%
Gift Contributions for Operations	9,365,308	5,315,905	4,049,403	76.2%
Net Investment Income	7,027,842	7,481,664	(453,822)	-6.1%
Interest Expense on Capital Asset Financings	(5,002,404)	(3,138,887)	(1,863,517)	-59.4%
Net Other Nonoperating Adjustments	85,704,788	67,498,360	18,206,428	27.0%
Adjusted Income (Loss) including Depreciation	15,260,750	5,176,607	10,084,143	194.8%
Adjusted Margin (as a percentage) including Depreciation	7.2%	2.8%		
Investment Gains (Losses)	7,024,531	(30,353,257)	37,377,788	123.1%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 22,285,281	\$ (25,176,650)	\$ 47,461,931	188.5%
Adjusted Margin % with Investment Gains (Losses)	10.2%	-16.3%		
Adjusted Income (Loss) excluding Depreciation	31,132,768	18,997,394	12,135,374	63.9%
Adjusted Margin (as a percentage) excluding Depreciation	14.8%	10.3%		

UNAUDITED
The University of Texas at El Paso
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 55,891,462	\$ 51,369,256	\$ 4,522,206	8.8%
Sponsored Programs	42,293,663	36,041,897	6,251,766	17.3%
Net Sales and Services of Educational Activities	2,745,008	3,021,647	(276,639)	-9.2%
Net Auxiliary Enterprises	14,364,965	14,586,461	(221,496)	-1.5%
Other Operating Revenues	350	40,059	(39,709)	-99.1%
Total Operating Revenues	115,295,448	105,059,320	10,236,128	9.7%
Operating Expenses				
Salaries and Wages	88,649,971	83,471,189	5,178,782	6.2%
Employee Benefits and Related Costs	21,594,133	19,635,397	1,958,736	10.0%
Professional Fees and Contracted Services	599,959	521,816	78,143	15.0%
Scholarships and Fellowships	52,689,905	39,865,161	12,824,744	32.2%
Travel	3,693,497	3,475,085	218,412	6.3%
Materials and Supplies	13,716,153	12,356,643	1,359,510	11.0%
Utilities	3,741,478	4,528,479	(787,001)	-17.4%
Telecommunications	379,938	443,133	(63,195)	-14.3%
Repairs and Maintenance	2,952,053	2,455,631	496,422	20.2%
Rentals and Leases	2,098,502	2,359,518	(261,016)	-11.1%
Printing and Reproduction	475,649	664,381	(188,732)	-28.4%
Federal Sponsored Programs Pass-Thrus	694,236	349,615	344,621	98.6%
Depreciation and Amortization	10,524,865	9,917,031	607,834	6.1%
Other Operating Expenses	13,376,027	13,309,913	66,114	0.5%
Total Operating Expenses	215,186,366	193,352,992	21,833,374	11.3%
Operating Loss	(99,890,918)	(88,293,672)	(11,597,246)	-13.1%
Other Nonoperating Adjustments				
State Appropriations	59,975,825	55,115,914	4,859,911	8.8%
Nonexchange Sponsored Programs	37,368,679	27,529,859	9,838,820	35.7%
Gift Contributions for Operations	9,651,814	5,171,995	4,479,819	86.6%
Net Investment Income	6,001,686	5,542,755	458,931	8.3%
Interest Expense on Capital Asset Financings	(3,055,824)	(1,526,693)	(1,529,131)	-100.2%
Net Other Nonoperating Adjustments	109,942,180	91,833,830	18,108,350	19.7%
Adjusted Income (Loss) including Depreciation	10,051,262	3,540,158	6,511,104	183.9%
Adjusted Margin (as a percentage) including Depreciation	4.4%	1.8%		
Investment Gains (Losses)	4,126,631	(16,697,392)	20,824,023	124.7%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 14,177,893	\$ (13,157,234)	\$ 27,335,127	207.8%
Adjusted Margin % with Investment Gains (Losses)	6.1%	-7.2%		
Adjusted Income (Loss) excluding Depreciation	20,576,127	13,457,189	7,118,938	52.9%
Adjusted Margin (as a percentage) excluding Depreciation	9.0%	6.8%		

UNAUDITED
The University of Texas - Pan American
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date <u>FY 2010</u>	March Year-to-Date <u>FY 2009</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Net Student Tuition and Fees	\$ 34,904,623	\$ 29,739,696	\$ 5,164,927	17.4%
Sponsored Programs	45,016,988	39,892,718	5,124,270	12.8%
Net Sales and Services of Educational Activities	3,220,622	3,069,307	151,315	4.9%
Net Auxiliary Enterprises	4,244,942	3,418,868	826,074	24.2%
Other Operating Revenues	952,872	1,514,377	(561,505)	-37.1%
Total Operating Revenues	<u>88,340,047</u>	<u>77,634,966</u>	<u>10,705,081</u>	<u>13.8%</u>
Operating Expenses				
Salaries and Wages	65,408,377	60,998,139	4,410,238	7.2%
Employee Benefits and Related Costs	16,165,830	15,287,399	878,431	5.7%
Professional Fees and Contracted Services	911,083	912,319	(1,236)	-0.1%
Scholarships and Fellowships	61,880,218	48,416,435	13,463,783	27.8%
Travel	2,513,480	2,273,872	239,608	10.5%
Materials and Supplies	7,715,315	6,808,096	907,219	13.3%
Utilities	4,133,025	4,424,759	(291,734)	-6.6%
Telecommunications	255,697	658,226	(402,529)	-61.2%
Repairs and Maintenance	2,106,392	1,426,108	680,284	47.7%
Rentals and Leases	575,338	511,658	63,680	12.4%
Printing and Reproduction	212,857	184,495	28,362	15.4%
Bad Debt Expense	(65,471)	189,000	(254,471)	-134.6%
Federal Sponsored Programs Pass-Thrus	161,355	45,601	115,754	253.8%
Depreciation and Amortization	7,840,993	7,494,398	346,595	4.6%
Other Operating Expenses	6,211,644	5,895,076	316,568	5.4%
Total Operating Expenses	<u>176,026,133</u>	<u>155,525,581</u>	<u>20,500,552</u>	<u>13.2%</u>
Operating Loss	<u>(87,686,086)</u>	<u>(77,890,615)</u>	<u>(9,795,471)</u>	<u>-12.6%</u>
Other Nonoperating Adjustments				
State Appropriations	45,582,644	44,263,110	1,319,534	3.0%
Nonexchange Sponsored Programs	42,203,152	32,084,088	10,119,064	31.5%
Gift Contributions for Operations	1,566,611	973,656	592,955	60.9%
Net Investment Income	2,449,413	1,661,895	787,518	47.4%
Interest Expense on Capital Asset Financings	(2,362,245)	(2,408,056)	45,811	1.9%
Net Other Nonoperating Adjustments	<u>89,439,575</u>	<u>76,574,693</u>	<u>12,864,882</u>	<u>16.8%</u>
Adjusted Income (Loss) including Depreciation	1,753,489	(1,315,922)	3,069,411	233.3%
Adjusted Margin (as a percentage) including Depreciation	1.0%	-0.8%		
Investment Gains (Losses)	3,569,178	(11,013,487)	14,582,665	132.4%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 5,322,667	\$ (12,329,409)	\$ 17,652,076	143.2%
Adjusted Margin % with Investment Gains (Losses)	2.9%	-8.5%		
Adjusted Income (Loss) excluding Depreciation	9,594,482	6,178,476	3,416,006	55.3%
Adjusted Margin (as a percentage) excluding Depreciation	5.3%	3.9%		

UNAUDITED
The University of Texas of the Permian Basin
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date <u>FY 2010</u>	March Year-to-Date <u>FY 2009</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Net Student Tuition and Fees	\$ 6,986,554	\$ 6,605,820	\$ 380,734	5.8%
Sponsored Programs	3,353,046	2,402,441	950,605	39.6%
Net Sales and Services of Educational Activities	306,275	229,037	77,238	33.7%
Net Auxiliary Enterprises	2,390,438	2,328,607	61,831	2.7%
Other Operating Revenues	124,549	80,326	44,223	55.1%
Total Operating Revenues	<u>13,160,862</u>	<u>11,646,231</u>	<u>1,514,631</u>	<u>13.0%</u>
Operating Expenses				
Salaries and Wages	12,472,491	11,271,776	1,200,715	10.7%
Employee Benefits and Related Costs	2,787,329	2,550,519	236,810	9.3%
Professional Fees and Contracted Services	464,607	552,693	(88,086)	-15.9%
Scholarships and Fellowships	2,166,180	2,061,698	104,482	5.1%
Travel	440,201	487,602	(47,401)	-9.7%
Materials and Supplies	2,694,819	1,660,084	1,034,735	62.3%
Utilities	1,431,333	1,337,844	93,489	7.0%
Telecommunications	251,528	280,630	(29,102)	-10.4%
Repairs and Maintenance	874,826	755,032	119,794	15.9%
Rentals and Leases	271,976	317,376	(45,400)	-14.3%
Printing and Reproduction	140,051	77,454	62,597	80.8%
Depreciation and Amortization	2,388,744	2,199,160	189,584	8.6%
Other Operating Expenses	1,697,796	1,402,756	295,040	21.0%
Total Operating Expenses	<u>28,081,881</u>	<u>24,954,624</u>	<u>3,127,257</u>	<u>12.5%</u>
Operating Loss	<u>(14,921,019)</u>	<u>(13,308,393)</u>	<u>(1,612,626)</u>	<u>-12.1%</u>
Other Nonoperating Adjustments				
State Appropriations	18,707,106	18,501,216	205,890	1.1%
Nonexchange Sponsored Programs	3,917,151	2,916,622	1,000,529	34.3%
Gift Contributions for Operations	787,217	781,950	5,267	0.7%
Net Investment Income	1,775,887	965,406	810,481	84.0%
Interest Expense on Capital Asset Financings	(1,349,030)	(373,651)	(975,379)	-261.0%
Net Other Nonoperating Adjustments	<u>23,838,331</u>	<u>22,791,543</u>	<u>1,046,788</u>	<u>4.6%</u>
Adjusted Income (Loss) including Depreciation	8,917,312	9,483,150	(565,838)	-6.0%
Adjusted Margin (as a percentage) including Depreciation	23.3%	27.2%		
Investment Gains (Losses)	1,847,045	(3,173,013)	5,020,058	158.2%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 10,764,357	\$ 6,310,137	\$ 4,454,220	70.6%
Adjusted Margin % with Investment Gains (Losses)	26.8%	19.9%		
Adjusted Income (Loss) excluding Depreciation	11,306,056	11,682,310	(376,254)	-3.2%
Adjusted Margin (as a percentage) excluding Depreciation	29.5%	33.6%		

UNAUDITED
The University of Texas at San Antonio
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 101,798,172	\$ 91,706,812	\$ 10,091,360	11.0%
Sponsored Programs	41,079,610	37,799,253	3,280,357	8.7%
Net Sales and Services of Educational Activities	4,600,541	4,530,122	70,419	1.6%
Net Auxiliary Enterprises	13,034,754	12,275,747	759,007	6.2%
Other Operating Revenues	923,117	857,182	65,935	7.7%
Total Operating Revenues	161,436,194	147,169,116	14,267,078	9.7%
Operating Expenses				
Salaries and Wages	118,819,283	109,563,959	9,255,324	8.4%
Employee Benefits and Related Costs	28,886,815	26,246,144	2,640,671	10.1%
Professional Fees and Contracted Services	2,362,312	2,558,367	(196,055)	-7.7%
Scholarships and Fellowships	25,657,444	18,847,974	6,809,470	36.1%
Travel	3,961,909	3,622,155	339,754	9.4%
Materials and Supplies	19,973,864	17,679,495	2,294,369	13.0%
Utilities	6,612,842	6,919,128	(306,286)	-4.4%
Telecommunications	1,909,854	2,031,634	(121,780)	-6.0%
Repairs and Maintenance	5,020,881	5,467,014	(446,133)	-8.2%
Rentals and Leases	2,034,481	1,494,874	539,607	36.1%
Printing and Reproduction	578,371	664,685	(86,314)	-13.0%
Federal Sponsored Programs Pass-Thrus	2,044,809	2,040,912	3,897	0.2%
Depreciation and Amortization	21,723,918	18,988,325	2,735,593	14.4%
Other Operating Expenses	15,268,474	13,229,961	2,038,513	15.4%
Total Operating Expenses	254,855,257	229,354,627	25,500,630	11.1%
Operating Loss	(93,419,063)	(82,185,511)	(11,233,552)	-13.7%
Other Nonoperating Adjustments				
State Appropriations	70,622,425	67,801,119	2,821,306	4.2%
Nonexchange Sponsored Programs	23,537,544	16,750,028	6,787,516	40.5%
Gift Contributions for Operations	5,833,333	3,422,313	2,411,020	70.5%
Net Investment Income	6,020,537	4,019,985	2,000,552	49.8%
Interest Expense on Capital Asset Financings	(9,111,143)	(7,357,965)	(1,753,178)	-23.8%
Net Other Nonoperating Adjustments	96,902,696	84,635,480	12,267,216	14.5%
Adjusted Income (Loss) including Depreciation	3,483,633	2,449,969	1,033,664	42.2%
Adjusted Margin (as a percentage) including Depreciation	1.3%	1.0%		
Investment Gains (Losses)	14,364,546	(49,753,949)	64,118,495	128.9%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 17,848,179	\$ (47,303,980)	\$ 65,152,159	137.7%
Adjusted Margin % with Investment Gains (Losses)	6.3%	-25.0%		
Adjusted Income (Loss) excluding Depreciation	25,207,551	21,438,294	3,769,257	17.6%
Adjusted Margin (as a percentage) excluding Depreciation	9.4%	9.0%		

UNAUDITED
The University of Texas at Tyler
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date <u>FY 2010</u>	March Year-to-Date <u>FY 2009</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Net Student Tuition and Fees	\$ 15,829,755	\$ 15,163,895	\$ 665,860	4.4%
Sponsored Programs	5,906,127	6,081,704	(175,577)	-2.9%
Net Sales and Services of Educational Activities	1,258,279	1,514,239	(255,960)	-16.9%
Net Auxiliary Enterprises	2,117,743	2,518,291	(400,548)	-15.9%
Other Operating Revenues	235,272	98,239	137,033	139.5%
Total Operating Revenues	<u>25,347,176</u>	<u>25,376,367</u>	<u>(29,191)</u>	<u>-0.1%</u>
Operating Expenses				
Salaries and Wages	22,114,224	21,555,075	559,149	2.6%
Employee Benefits and Related Costs	5,745,920	5,349,746	396,174	7.4%
Professional Fees and Contracted Services	665,344	596,422	68,922	11.6%
Scholarships and Fellowships	7,491,732	5,639,902	1,851,830	32.8%
Travel	843,507	888,918	(45,411)	-5.1%
Materials and Supplies	2,499,000	2,869,006	(370,006)	-12.9%
Utilities	1,192,664	1,183,980	8,684	0.7%
Telecommunications	679,338	338,734	340,604	100.6%
Repairs and Maintenance	691,562	767,082	(75,520)	-9.8%
Rentals and Leases	187,615	182,425	5,190	2.8%
Printing and Reproduction	356,775	400,204	(43,429)	-10.9%
Bad Debt Expense	820	2,326	(1,506)	-64.7%
Federal Sponsored Programs Pass-Thrus	69,418	271,339	(201,921)	-74.4%
Depreciation and Amortization	5,616,442	5,261,389	355,053	6.7%
Other Operating Expenses	3,852,669	3,598,120	254,549	7.1%
Total Operating Expenses	<u>52,007,030</u>	<u>48,904,668</u>	<u>3,102,362</u>	<u>6.3%</u>
Operating Loss	<u>(26,659,854)</u>	<u>(23,528,300)</u>	<u>(3,131,554)</u>	<u>-13.3%</u>
Other Nonoperating Adjustments				
State Appropriations	21,114,958	20,601,683	513,275	2.5%
Nonexchange Sponsored Programs	6,611,075	5,073,440	1,537,635	30.3%
Gift Contributions for Operations	868,465	456,912	411,553	90.1%
Net Investment Income	2,468,427	2,291,823	176,604	7.7%
Interest Expense on Capital Asset Financings	(1,672,511)	(1,067,804)	(604,707)	-56.6%
Net Other Nonoperating Adjustments	<u>29,390,414</u>	<u>27,356,054</u>	<u>2,034,360</u>	<u>7.4%</u>
Adjusted Income (Loss) including Depreciation	2,730,560	3,827,754	(1,097,194)	-28.7%
Adjusted Margin (as a percentage) including Depreciation	4.8%	7.1%		
Investment Gains (Losses)	2,525,300	(8,011,350)	10,536,650	131.5%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 5,255,860	\$ (4,183,596)	\$ 9,439,456	225.6%
Adjusted Margin % with Investment Gains (Losses)	8.9%	-9.1%		
Adjusted Income (Loss) excluding Depreciation	8,347,002	9,089,143	(742,141)	-8.2%
Adjusted Margin (as a percentage) excluding Depreciation	14.8%	16.9%		

UNAUDITED
The University of Texas Southwestern Medical Center at Dallas
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 12,666,789	\$ 12,951,814	\$ (285,025)	-2.2%
Sponsored Programs	257,171,722	241,692,378	15,479,344	6.4%
Net Sales and Services of Educational Activities	6,487,507	5,492,381	995,126	18.1%
Net Sales and Services of Hospitals	270,788,283	228,705,866	42,082,417	18.4%
Net Professional Fees	211,846,593	212,159,872	(313,279)	-0.1%
Net Auxiliary Enterprises	9,856,251	10,173,802	(317,551)	-3.1%
Other Operating Revenues	4,035,342	3,847,108	188,234	4.9%
Total Operating Revenues	772,852,487	715,023,221	57,829,266	8.1%
Operating Expenses				
Salaries and Wages	471,922,151	456,596,535	15,325,616	3.4%
Employee Benefits and Related Costs	106,547,084	98,681,873	7,865,211	8.0%
Professional Fees and Contracted Services	11,491,909	12,830,436	(1,338,527)	-10.4%
Scholarships and Fellowships	5,391,970	5,773,256	(381,286)	-6.6%
Travel	4,732,639	5,379,788	(647,149)	-12.0%
Materials and Supplies	119,147,094	113,655,897	5,491,197	4.8%
Utilities	21,166,545	20,240,114	926,431	4.6%
Telecommunications	4,266,457	4,087,957	178,500	4.4%
Repairs and Maintenance	9,129,145	8,681,457	447,688	5.2%
Rentals and Leases	4,776,087	4,290,071	486,016	11.3%
Printing and Reproduction	1,891,033	1,882,831	8,202	0.4%
Federal Sponsored Programs Pass-Thrus	814,819	357,652	457,167	127.8%
Depreciation and Amortization	45,868,360	44,232,898	1,635,462	3.7%
Other Operating Expenses	85,410,792	82,409,497	3,001,295	3.6%
Total Operating Expenses	892,556,085	859,100,262	33,455,823	3.9%
Operating Loss	(119,703,598)	(144,077,041)	24,373,443	16.9%
Other Nonoperating Adjustments				
State Appropriations	109,417,832	102,730,249	6,687,583	6.5%
Nonexchange Sponsored Programs	74,358	71,810	2,548	3.5%
Gift Contributions for Operations	13,551,510	13,808,978	(257,468)	-1.9%
Net Investment Income	39,752,210	39,071,372	680,838	1.7%
Interest Expense on Capital Asset Financings	(13,188,807)	(11,733,402)	(1,455,405)	-12.4%
Net Other Nonoperating Adjustments	149,607,103	143,949,007	5,658,096	3.9%
Adjusted Income (Loss) including Depreciation	29,903,505	(128,034)	30,031,539	23,455.9%
Adjusted Margin (as a percentage) including Depreciation	3.2%	-0.0%		
Investment Gains (Losses)	51,340,437	(159,793,078)	211,133,515	132.1%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 81,243,942	\$ (159,921,112)	\$ 241,165,054	150.8%
Adjusted Margin % with Investment Gains (Losses)	8.2%	-22.5%		
Adjusted Income (Loss) excluding Depreciation	75,771,865	44,104,864	31,667,001	71.8%
Adjusted Margin (as a percentage) excluding Depreciation	8.1%	5.1%		

UNAUDITED
The University of Texas Medical Branch at Galveston
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 13,166,535	\$ 11,092,361	\$ 2,074,174	18.7%
Sponsored Programs	162,053,774	211,054,730	(49,000,956)	-23.2%
Net Sales and Services of Educational Activities	12,726,610	8,599,239	4,127,371	48.0%
Net Sales and Services of Hospitals	405,277,638	299,346,729	105,930,909	35.4%
Net Professional Fees	74,033,894	57,378,330	16,655,564	29.0%
Net Auxiliary Enterprises	3,272,978	2,621,445	651,533	24.9%
Other Operating Revenues	5,786,765	6,366,719	(579,954)	-9.1%
Total Operating Revenues	676,318,194	596,459,553	79,858,641	13.4%
Operating Expenses				
Salaries and Wages	453,702,070	454,322,229	(620,159)	-0.1%
Employee Benefits and Related Costs	109,712,645	109,178,942	533,703	0.5%
Professional Fees and Contracted Services	24,859,512	90,452,329	(65,592,817)	-72.5%
Scholarships and Fellowships	4,025,934	3,698,556	327,378	8.9%
Travel	3,459,505	3,038,594	420,911	13.9%
Materials and Supplies	105,318,915	78,434,341	26,884,574	34.3%
Utilities	15,708,842	15,989,680	(280,838)	-1.8%
Telecommunications	8,806,747	9,488,925	(682,178)	-7.2%
Repairs and Maintenance	25,383,878	21,549,730	3,834,148	17.8%
Rentals and Leases	13,820,327	11,051,910	2,768,417	25.0%
Printing and Reproduction	824,688	807,823	16,865	2.1%
Federal Sponsored Programs Pass-Thrus	2,739,188	1,551,403	1,187,785	76.6%
Depreciation and Amortization	43,193,608	44,365,935	(1,172,327)	-2.6%
Other Operating Expenses	81,311,396	91,587,550	(10,276,154)	-11.2%
Total Operating Expenses	892,867,255	935,517,947	(42,650,692)	-4.6%
Operating Loss	(216,549,061)	(339,058,394)	122,509,333	36.1%
Other Nonoperating Adjustments				
State Appropriations	214,366,251	180,668,382	33,697,869	18.7%
Nonexchange Sponsored Programs	(1,183)	-	(1,183)	100.0%
Gift Contributions for Operations	6,463,977	8,700,827	(2,236,850)	-25.7%
Net Investment Income	17,763,749	18,656,828	(893,079)	-4.8%
Interest Expense on Capital Asset Financings	(3,974,481)	(3,639,884)	(334,597)	-9.2%
Net Other Nonoperating Adjustments	234,618,313	204,386,153	30,232,160	14.8%
Adjusted Income (Loss) including Depreciation	18,069,252	(134,672,241)	152,741,493	113.4%
Adjusted Margin (as a percentage) including Depreciation	2.0%	-16.7%		
Investment Gains (Losses)	9,074,915	(43,905,407)	52,980,322	120.7%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 27,144,167	\$ (178,577,648)	\$ 205,721,815	115.2%
Adjusted Margin % with Investment Gains (Losses)	2.9%	-23.5%		
Adjusted Income (Loss) excluding Depreciation	61,262,860	(90,306,306)	151,569,166	167.8%
Adjusted Margin (as a percentage) excluding Depreciation	6.7%	-11.2%		

UNAUDITED
The University of Texas Health Science Center at Houston
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 18,303,741	\$ 17,287,039	\$ 1,016,702	5.9%
Sponsored Programs	208,910,906	188,895,029	20,015,877	10.6%
Net Sales and Services of Educational Activities	23,411,815	23,961,920	(550,105)	-2.3%
Net Sales and Services of Hospitals	22,468,930	20,639,495	1,829,435	8.9%
Net Professional Fees	79,615,638	71,032,097	8,583,541	12.1%
Net Auxiliary Enterprises	12,845,776	13,061,673	(215,897)	-1.7%
Other Operating Revenues	27,644,499	26,607,080	1,037,419	3.9%
Total Operating Revenues	393,201,305	361,484,333	31,716,972	8.8%
Operating Expenses				
Salaries and Wages	255,583,444	226,384,939	29,198,505	12.9%
Employee Benefits and Related Costs	55,649,230	48,419,118	7,230,112	14.9%
Professional Fees and Contracted Services	47,177,504	49,586,040	(2,408,536)	-4.9%
Scholarships and Fellowships	3,478,019	2,742,916	735,103	26.8%
Travel	4,021,287	3,784,490	236,797	6.3%
Materials and Supplies	33,901,674	31,378,031	2,523,643	8.0%
Utilities	10,001,715	10,461,199	(459,484)	-4.4%
Telecommunications	1,839,266	1,732,201	107,065	6.2%
Repairs and Maintenance	3,362,730	4,868,740	(1,506,010)	-30.9%
Rentals and Leases	8,026,179	7,409,480	616,699	8.3%
Printing and Reproduction	2,899,563	2,297,773	601,790	26.2%
Bad Debt Expense	1,615	1,523	92	6.0%
Federal Sponsored Programs Pass-Thrus	3,811,179	3,769,008	42,171	1.1%
Depreciation and Amortization	23,221,324	23,333,544	(112,220)	-0.5%
Other Operating Expenses	59,686,551	55,508,606	4,177,945	7.5%
Total Operating Expenses	512,661,280	471,677,608	40,983,672	8.7%
Operating Loss	(119,459,975)	(110,193,275)	(9,266,700)	-8.4%
Other Nonoperating Adjustments				
State Appropriations	101,076,167	97,823,671	3,252,496	3.3%
Nonexchange Sponsored Programs	6,003,214	256,154	5,747,060	2,243.6%
Gift Contributions for Operations	8,559,887	9,042,106	(482,219)	-5.3%
Net Investment Income	13,814,232	9,462,008	4,352,224	46.0%
Interest Expense on Capital Asset Financings	(5,260,613)	(4,231,049)	(1,029,564)	-24.3%
Net Other Nonoperating Adjustments	124,192,887	112,352,890	11,839,997	10.5%
Adjusted Income (Loss) including Depreciation	4,732,912	2,159,615	2,573,297	119.2%
Adjusted Margin (as a percentage) including Depreciation	0.9%	0.5%		
Investment Gains (Losses)	21,263,488	(68,084,341)	89,347,829	131.2%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 25,996,400	\$ (65,924,726)	\$ 91,921,126	139.4%
Adjusted Margin % with Investment Gains (Losses)	4.8%	-16.1%		
Adjusted Income (Loss) excluding Depreciation	27,954,236	25,493,159	2,461,077	9.7%
Adjusted Margin (as a percentage) excluding Depreciation	5.3%	5.3%		

UNAUDITED
The University of Texas Health Science Center at San Antonio
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 16,274,695	\$ 13,822,396	\$ 2,452,299	17.7%
Sponsored Programs	155,800,305	148,677,278	7,123,027	4.8%
Net Sales and Services of Educational Activities	24,835,329	24,023,381	811,948	3.4%
Net Professional Fees	65,633,326	63,770,207	1,863,119	2.9%
Net Auxiliary Enterprises	2,888,849	2,396,719	492,130	20.5%
Other Operating Revenues	9,086,530	8,359,771	726,759	8.7%
Total Operating Revenues	274,519,034	261,049,752	13,469,282	5.2%
Operating Expenses				
Salaries and Wages	224,183,584	201,007,919	23,175,665	11.5%
Employee Benefits and Related Costs	55,831,465	48,899,227	6,932,238	14.2%
Professional Fees and Contracted Services	9,237,623	10,462,605	(1,224,982)	-11.7%
Scholarships and Fellowships	2,921,535	1,450,277	1,471,258	101.4%
Travel	2,938,505	3,072,469	(133,964)	-4.4%
Materials and Supplies	23,784,368	22,802,550	981,818	4.3%
Utilities	9,725,592	8,808,333	917,259	10.4%
Telecommunications	6,618,452	5,755,279	863,173	15.0%
Repairs and Maintenance	3,294,877	2,031,302	1,263,575	62.2%
Rentals and Leases	4,055,216	2,679,433	1,375,783	51.3%
Printing and Reproduction	1,264,232	1,074,253	189,979	17.7%
Federal Sponsored Programs Pass-Thrus	700,000	816,667	(116,667)	-14.3%
Depreciation and Amortization	18,666,667	18,264,998	401,669	2.2%
Other Operating Expenses	38,168,262	63,214,396	(25,046,134)	-39.6%
Total Operating Expenses	401,390,378	390,339,708	11,050,670	2.8%
Operating Loss	(126,871,344)	(129,289,956)	2,418,612	1.9%
Other Nonoperating Adjustments				
State Appropriations	106,326,964	100,150,594	6,176,370	6.2%
Nonexchange Sponsored Programs	532,000	473,667	58,333	12.3%
Gift Contributions for Operations	9,406,453	11,747,737	(2,341,284)	-19.9%
Net Investment Income	18,224,895	13,695,821	4,529,074	33.1%
Interest Expense on Capital Asset Financings	(5,288,761)	(2,826,166)	(2,462,595)	-87.1%
Net Other Nonoperating Adjustments	129,201,551	123,241,653	5,959,898	4.8%
Adjusted Income (Loss) including Depreciation	2,330,207	(6,048,303)	8,378,510	138.5%
Adjusted Margin (as a percentage) including Depreciation	0.6%	-1.6%		
Investment Gains (Losses)	17,318,149	(46,284,661)	63,602,810	137.4%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 19,648,356	\$ (52,332,964)	\$ 71,981,320	137.5%
Adjusted Margin % with Investment Gains (Losses)	4.6%	-15.4%		
Adjusted Income (Loss) excluding Depreciation	20,996,874	12,216,695	8,780,179	71.9%
Adjusted Margin (as a percentage) excluding Depreciation	5.1%	3.2%		

UNAUDITED
The University of Texas M. D. Anderson Cancer Center
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date FY 2010	March Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	\$ 692,348	\$ 641,995	\$ 50,353	7.8%
Sponsored Programs	167,685,616	160,994,993	6,690,623	4.2%
Net Sales and Services of Educational Activities	1,116,006	1,164,933	(48,927)	-4.2%
Net Sales and Services of Hospitals	1,254,721,089	1,118,730,177	135,990,912	12.2%
Net Professional Fees	181,921,523	158,924,457	22,997,066	14.5%
Net Auxiliary Enterprises	17,884,474	17,029,932	854,542	5.0%
Other Operating Revenues	28,840,737	28,777,405	63,332	0.2%
Total Operating Revenues	1,652,861,793	1,486,263,892	166,597,901	11.2%
Operating Expenses				
Salaries and Wages	760,581,605	764,209,111	(3,627,506)	-0.5%
Employee Benefits and Related Costs	205,750,712	202,737,655	3,013,057	1.5%
Professional Fees and Contracted Services	54,951,577	71,607,271	(16,655,694)	-23.3%
Travel	8,746,560	11,847,666	(3,101,106)	-26.2%
Materials and Supplies	309,833,546	276,421,219	33,412,327	12.1%
Utilities	26,666,539	31,477,432	(4,810,893)	-15.3%
Telecommunications	5,178,092	5,466,466	(288,374)	-5.3%
Repairs and Maintenance	37,913,616	38,329,039	(415,423)	-1.1%
Rentals and Leases	25,428,107	22,535,356	2,892,751	12.8%
Federal Sponsored Programs Pass-Thrus	381,413	371,861	9,552	2.6%
Depreciation and Amortization	134,530,651	131,159,157	3,371,494	2.6%
Other Operating Expenses	38,725,562	41,328,220	(2,602,658)	-6.3%
Total Operating Expenses	1,608,687,980	1,597,490,453	11,197,527	0.7%
Operating Loss	44,173,813	(111,226,561)	155,400,374	139.7%
Other Nonoperating Adjustments				
State Appropriations	103,868,331	97,190,315	6,678,016	6.9%
Nonexchange Sponsored Programs	331,475	112,447	219,028	194.8%
Gift Contributions for Operations	57,668,757	35,377,858	22,290,899	63.0%
Net Investment Income	34,533,590	27,844,212	6,689,378	24.0%
Interest Expense on Capital Asset Financings	(19,201,484)	(8,613,095)	(10,588,389)	-122.9%
Net Other Nonoperating Adjustments	177,200,669	151,911,737	25,288,932	16.6%
Adjusted Income (Loss) including Depreciation	221,374,482	40,685,176	180,689,306	444.1%
Adjusted Margin (as a percentage) including Depreciation	12.0%	2.5%		
Investment Gains (Losses)	45,316,301	(196,431,910)	241,748,211	123.1%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 266,690,783	\$ (155,746,734)	\$ 422,437,517	271.2%
Adjusted Margin % with Investment Gains (Losses)	14.1%	-10.7%		
Adjusted Income (Loss) excluding Depreciation	355,905,133	171,844,333	184,060,800	107.1%
Adjusted Margin (as a percentage) excluding Depreciation	19.2%	10.4%		

UNAUDITED
The University of Texas Health Science Center at Tyler
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2010

	March Year-to-Date <u>FY 2010</u>	March Year-to-Date <u>FY 2009</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Sponsored Programs	\$ 8,440,043	\$ 7,912,641	\$ 527,402	6.7%
Net Sales and Services of Educational Activities	831,767	785,703	46,064	5.9%
Net Sales and Services of Hospitals	27,689,811	32,538,265	(4,848,454)	-14.9%
Net Professional Fees	5,711,345	7,597,567	(1,886,222)	-24.8%
Net Auxiliary Enterprises	126,998	135,160	(8,162)	-6.0%
Other Operating Revenues	1,081,926	555,365	526,561	94.8%
Total Operating Revenues	<u>43,881,890</u>	<u>49,524,701</u>	<u>(5,642,811)</u>	<u>-11.4%</u>
Operating Expenses				
Salaries and Wages	31,540,261	30,290,498	1,249,763	4.1%
Employee Benefits and Related Costs	8,873,046	8,690,116	182,930	2.1%
Professional Fees and Contracted Services	4,434,209	4,788,212	(354,003)	-7.4%
Travel	234,822	245,116	(10,294)	-4.2%
Materials and Supplies	8,919,496	10,146,114	(1,226,618)	-12.1%
Utilities	1,901,082	1,775,882	125,200	7.1%
Telecommunications	677,787	622,431	55,356	8.9%
Repairs and Maintenance	1,995,878	2,358,502	(362,624)	-15.4%
Rentals and Leases	631,697	673,243	(41,546)	-6.2%
Printing and Reproduction	135,503	201,802	(66,299)	-32.9%
Federal Sponsored Programs Pass-Thrus	165,684	206,876	(41,192)	-19.9%
Depreciation and Amortization	4,195,033	4,399,018	(203,985)	-4.6%
Other Operating Expenses	6,550,143	7,826,549	(1,276,406)	-16.3%
Total Operating Expenses	<u>70,254,641</u>	<u>72,224,359</u>	<u>(1,969,718)</u>	<u>-2.7%</u>
Operating Loss	<u>(26,372,751)</u>	<u>(22,699,658)</u>	<u>(3,673,093)</u>	<u>-16.2%</u>
Other Nonoperating Adjustments				
State Appropriations	24,935,147	23,913,775	1,021,372	4.3%
Gift Contributions for Operations	406,942	118,408	288,534	243.7%
Net Investment Income	2,279,005	2,272,518	6,487	0.3%
Interest Expense on Capital Asset Financings	(395,973)	(301,227)	(94,746)	-31.5%
Net Other Nonoperating Adjustments	<u>27,225,121</u>	<u>26,003,474</u>	<u>1,221,647</u>	<u>4.7%</u>
Adjusted Income (Loss) including Depreciation	852,370	3,303,816	(2,451,446)	-74.2%
Adjusted Margin (as a percentage) including Depreciation	1.2%	4.4%		
Investment Gains (Losses)	1,572,246	(5,425,135)	6,997,381	129.0%
Adjusted Income (Loss) with Investment Gains (Losses)	\$ 2,424,616	\$ (2,121,319)	\$ 4,545,935	214.3%
Adjusted Margin % with Investment Gains (Losses)	3.3%	-3.0%		
Adjusted Income (Loss) excluding Depreciation	5,047,403	7,702,834	(2,655,431)	-34.5%
Adjusted Margin (as a percentage) excluding Depreciation	7.1%	10.2%		

3. **U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended February 28, 2010**

REPORT

The February 28, 2010 UTIMCO Performance Summary Report is set forth on Page 104.

The Investment Reports for the quarter ended February 28, 2010, are set forth on Pages 105 - 108.

Item I on Page 105 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 1.86% versus its composite benchmark return of .79%. The PUF's net asset value increased by \$129 million since the beginning of the quarter to \$10,470 million. This change in net asset value includes contributions from PUF Land receipts, increases due to net investment return, and the second payment of the annual distribution to the Available University Fund (AUF) of \$129 million.

Item II on Page 106 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 1.89% versus its composite benchmark return of .79%. The GEF's net asset value increased during the quarter to \$5,794 million.

Item III on Page 107 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was .45% versus its composite benchmark return of negative 1.21%. The net asset value increased during the quarter to \$4,028 million due to net investment return of \$19 million and net distributions of \$30 million. The increase in net asset value also included \$111 million net contributions.

For all funds, all exposures were within their asset class and investment type ranges and liquidity was within policy.

Item IV on Page 108 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, increased by \$153 million to \$1,834 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$24 million versus \$24 million at the beginning of the period; equities: \$44 million versus \$44 million at the beginning of the period; and other investments: \$1.7 million versus \$.2 million at the beginning of the period.

UTIMCO Performance Summary

February 28, 2010

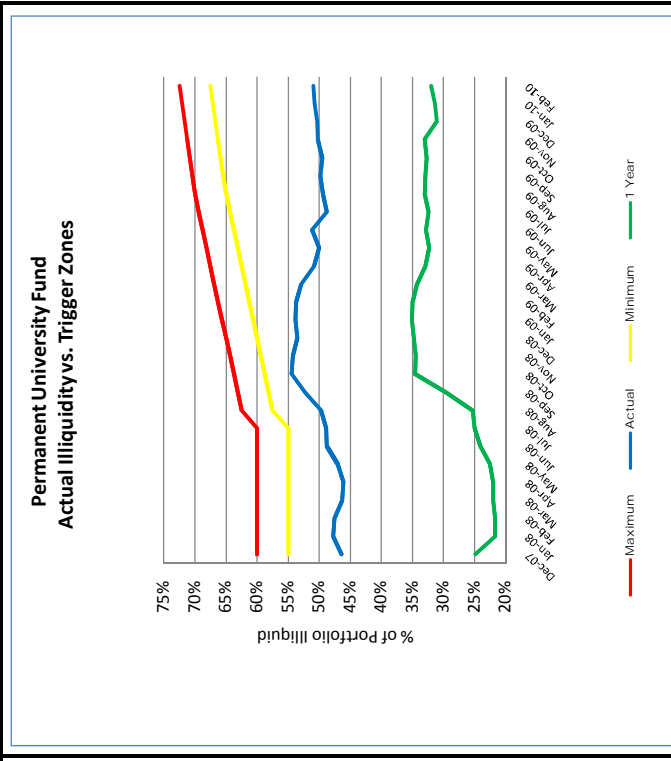
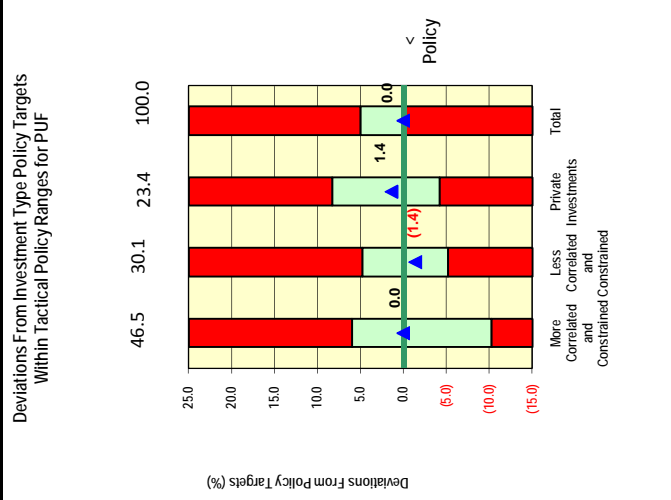
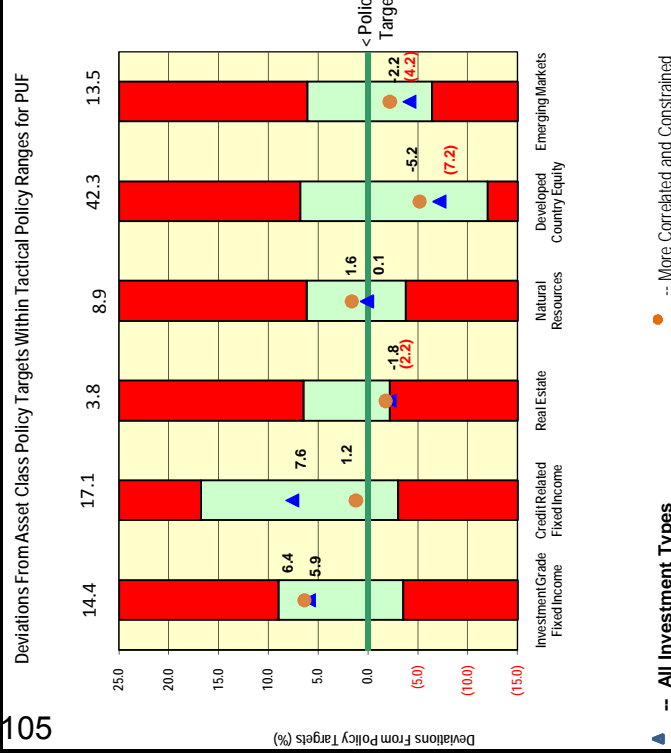
	Net Asset Value 2/28/2010 (in Millions)	Periods Ended February 28, 2010 (Returns for Periods Longer Than One Year are Annualized)																		
		Short Term		Year to Date		Historic Returns			Historic Returns											
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs											
ENDOWMENT FUNDS																				
Permanent University Fund	\$ 10,470	1.82%	1.86%	9.58%	0.78%	30.52%	(0.48%)	4.55%	4.97%											
General Endowment Fund		1.83	1.89	9.56	0.78	30.43	(0.43)	4.61	N/A											
Permanent Health Fund	900	1.81	1.85	9.52	0.83	30.23	(0.52)	4.53	N/A											
Long Term Fund	4,894	1.81	1.85	9.52	0.83	30.22	(0.52)	4.53	4.99											
Separately Invested Funds	200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A											
Total Endowment Funds	16,464																			
OPERATING FUNDS																				
Short Term Fund	1,703	0.01	0.04	0.10	0.03	0.36	2.65	3.34	3.11											
Intermediate Term Fund	4,028	1.18	0.45	7.38	0.23	32.94	0.90	N/A	N/A											
Total Operating Funds	5,731																			
Total Investments	\$ 22,195																			
VALUE ADDED (Percent)																				
Permanent University Fund		0.80%	1.07%	3.13%	1.47%	4.30%	2.96%	1.61%	1.32%											
General Endowment Fund		0.81	1.10	3.11	1.47	4.21	3.01	1.67	N/A											
Short Term Fund		0.01	0.02	0.03	0.02	0.16	0.51	0.38	0.21											
Intermediate Term Fund		0.50	1.66	2.99	1.38	0.85	2.94	N/A	N/A											
VALUE ADDED (\$ IN MILLIONS)																				
Permanent University Fund		\$82	\$111	\$299	\$153	\$345	\$920	\$790	\$1,248											
General Endowment Fund		46	64	167	85	190	525	461	N/A											
Intermediate Term Fund		20	66	111	55	27	325	N/A	N/A											
Total Value Added		\$ 148	\$ 241	\$ 577	\$ 293	\$ 562	\$ 1,770	\$ 1,251	\$ 1,248											

Footnotes available upon request.

I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended February 28, 2010
 Prepared in accordance with *Texas Education Code Sec. 51.0032*

<u>Summary of Capital Flows</u>			
	Fiscal Year Ended August 31, 2009	Quarter Ended February 28, 2010	Fiscal Year to Date February 28, 2010
Beginning Net Assets	\$ 11,360	\$ 10,341	\$ 9,674
PUF Lands Receipts	340	71	144
Investment Return (Net of Expenses)	(1,495)	187	910
Distributions to AUF	(531)	(129)	(258)
Ending Net Assets	\$ 9,674	\$ 10,470	\$ 10,470

	Fiscal Year to Date				
	Returns	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	3.02%	1.76%	-0.16%	0.10%	-0.06%
Credit-Related	21.86%	12.79%	0.23%	0.05%	0.28%
Real Estate	7.30%	7.11%	-0.02%	0.02%	0.00%
Natural Resources	12.10%	7.25%	0.05%	0.28%	0.33%
Developed Country	7.92%	5.21%	-0.09%	0.49%	0.40%
Emerging Markets	11.64%	12.19%	-0.03%	-0.08%	-0.11%
Total More Correlated and Constrained	8.60%	7.01%	-0.02%	0.86%	0.84%
Less Correlated and Constrained	9.72%	3.30%	0.12%	1.83%	1.95%
Private Investments	11.47%	10.01%	0.26%	0.07%	0.33%
Total	9.57%	6.45%	0.36%	2.76%	3.12%



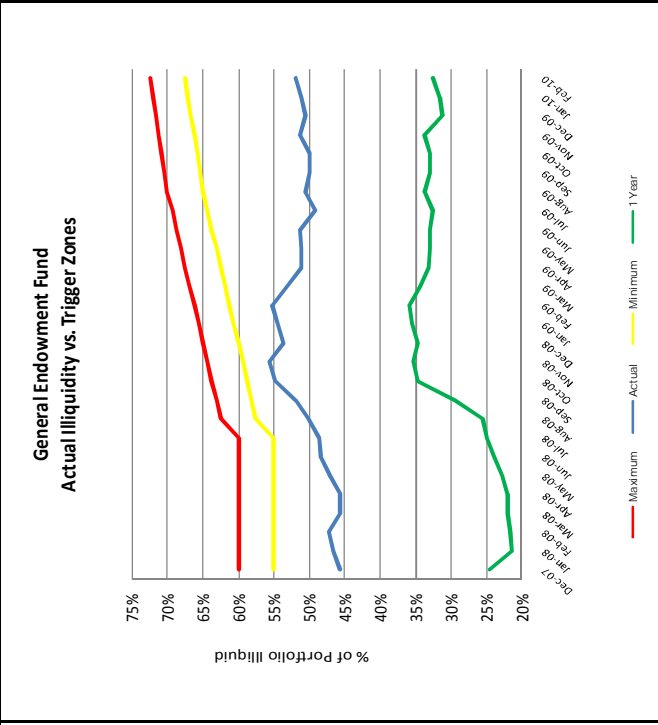
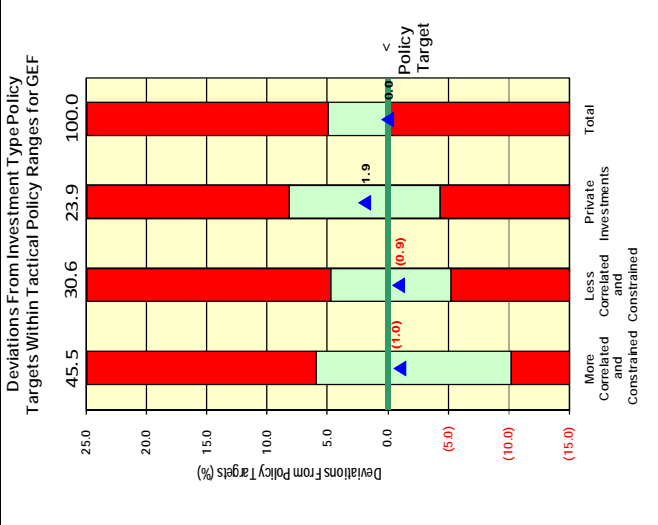
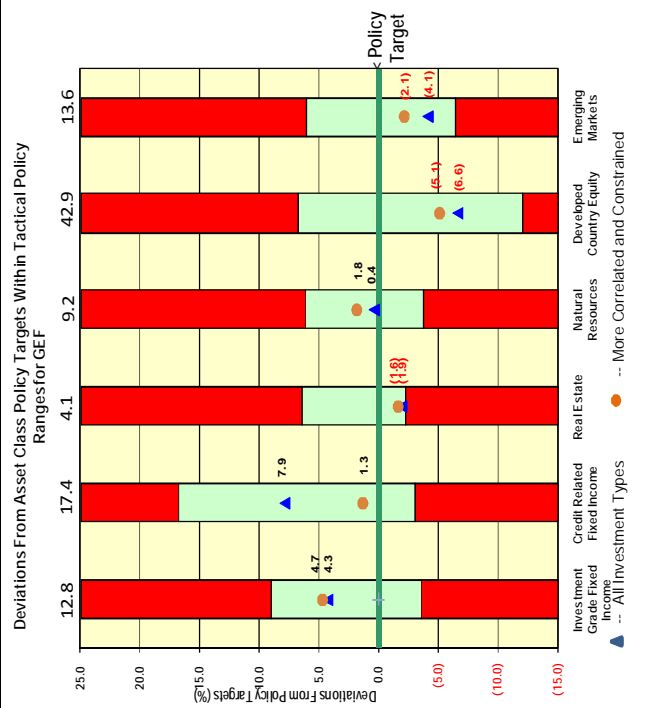
II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended February 28, 2010

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
(\$ millions)	Fiscal Year Ended		Fiscal Year to Date
	August 31, 2009	February 28, 2010	February 28, 2010
Beginning Net Assets	\$ 6,310	\$ 5,726	\$ 5,359
Contributions	185	36	70
Withdrawals	(11)	(2)	(2)
Distributions	(279)	(74)	(147)
Investment Return (Net of Expenses)	(846)	108	514
Ending Net Assets	\$ 5,359	\$ 5,794	\$ 5,794

	Fiscal Year to Date				
	Returns	Value Added			
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	2.98%	1.76%	-0.17%	0.09%	-0.08%
Credit-Related	21.85%	12.79%	0.23%	0.05%	0.28%
Real Estate	7.39%	7.11%	0.00%	0.01%	0.01%
Natural Resources	12.03%	7.25%	0.04%	0.26%	0.30%
Developed Country	7.85%	5.21%	-0.08%	0.49%	0.41%
Emerging Markets	11.40%	12.19%	-0.05%	-0.09%	-0.14%
Total More Correlated and Constrained	8.54%	7.01%	-0.03%	0.81%	0.78%
Less Correlated and Constrained					
Private Investments	11.47%	10.01%	0.25%	0.07%	0.32%
Total	9.56%	6.45%	0.36%	2.75%	3.11%



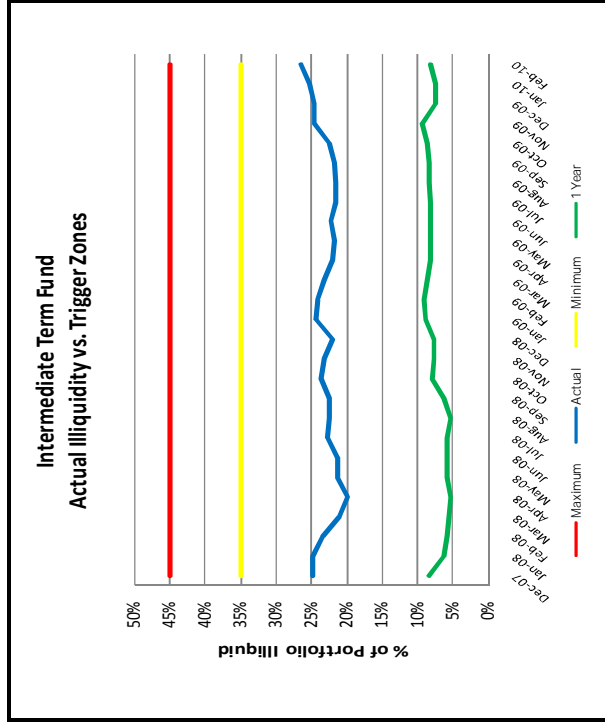
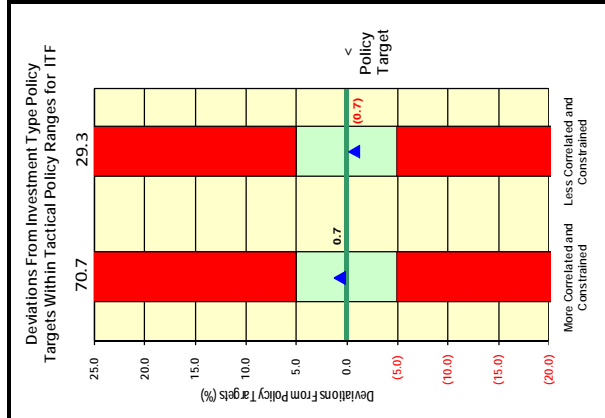
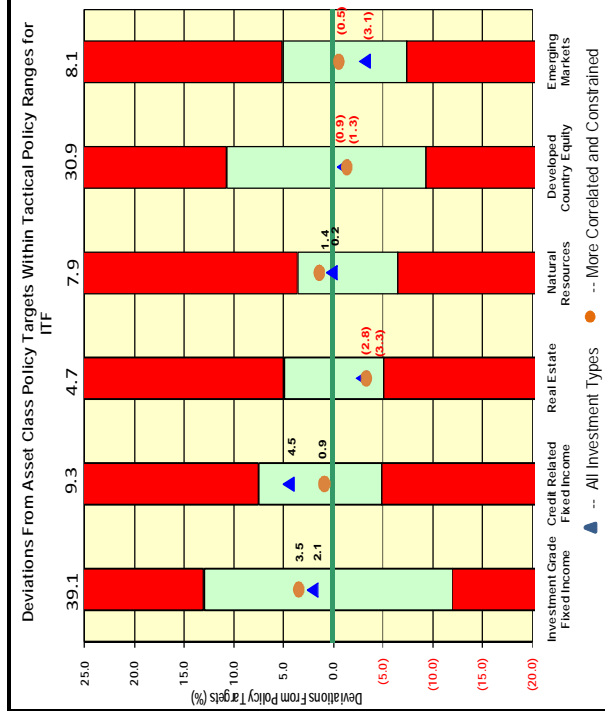
III. INTERMEDIATE TERM FUND

Investment Reports for Periods Ended February 28, 2010

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2009	Quarter Ended February 28, 2010	Fiscal Year to Date February 28, 2010
Beginning Net Assets (\$ millions)	\$ 3,875	\$ 3,928	\$ 3,572
Contributions	251	131	299
Withdrawals	(178)	(20)	(55)
Distributions	(98)	(30)	(58)
Investment Return (Net of Expenses)	(278)	19	270
Ending Net Assets	\$ 3,572	\$ 4,028	\$ 4,028

	Fiscal Year to Date			
	Returns	Value Added		
	Portfolio	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:				
Investment Grade	3.01%	-0.08%	0.41%	0.33%
Credit-Related	21.49%	0.15%	0.12%	0.27%
Real Estate	7.96%	-0.15%	0.08%	-0.07%
Natural Resources	11.08%	0.14%	0.23%	0.37%
Developed Country	8.10%	-0.07%	0.43%	0.36%
Emerging Markets	11.76%	0.05%	-0.03%	0.02%
Total More Correlated and Constrained	6.46%	0.04%	1.24%	1.28%
Less Correlated and Constrained	9.74%	-0.03%	1.74%	1.71%
Private Investments	0.00%	0.00%	0.00%	0.00%
Total	7.38%	0.01%	2.98%	2.99%



IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at February 28, 2010
 Report prepared in accordance with *Texas Education Code Sec. 51.0032*

ASSET TYPES	(\$ thousands)															
	CURRENT PURPOSE DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (SHORT TERM FUND)		TOTAL	
									BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:																
Beginning value 11/30/09	-	1,992	1,992	33,718	33,718	1,075	1,075	5,070	5,070	41,855	41,855	1,639,443	1,639,443	1,681,298	1,681,298	1,681,298
Increase/(Decrease)	-	5,568	5,568	83,359	83,359	252	252	(532)	(532)	88,647	88,647	64,163	64,163	152,810	152,810	152,810
Ending value 02/28/10	-	7,560	7,560	117,077	117,077	1,327	1,327	4,538	4,538	130,502	130,502	1,703,606	1,703,606	1,834,108	1,834,108	1,834,108
Debt Securities:																
Beginning value 11/30/09	-	265	264	11,718	12,895	10,727	11,239	-	-	22,710	24,398	-	-	22,710	24,398	24,398
Increase/(Decrease)	-	36	36	(413)	(494)	(321)	(417)	-	-	(698)	(875)	-	-	(698)	(875)	(875)
Ending value 02/28/10	-	301	300	11,305	12,401	10,406	10,822	-	-	22,012	23,523	-	-	22,012	23,523	23,523
Equity Securities:																
Beginning value 11/30/09	17	3,894	550	28,236	27,407	13,867	12,281	-	-	42,670	44,099	-	-	42,670	44,099	44,099
Increase/(Decrease)	-	(348)	(193)	685	1,002	(295)	(627)	-	-	197	(164)	-	-	197	(164)	(164)
Ending value 02/28/10	17	3,546	357	28,921	28,409	13,572	11,654	-	-	42,867	43,935	-	-	42,867	43,935	43,935
Other:																
Beginning value 11/30/09	-	108	108	1	1	365	134	-	-	474	243	-	-	474	243	243
Increase/(Decrease)	-	530	530	1	1	5	3	918	918	1,454	1,452	-	-	1,454	1,452	1,452
Ending value 02/28/10	-	638	638	2	2	370	137	918	918	1,928	1,695	-	-	1,928	1,695	1,695
Total Assets:																
Beginning value 11/30/09	17	3,894	2,915	2,881	74,021	26,034	24,729	5,070	5,070	107,709	110,595	1,639,443	1,639,443	1,747,152	1,750,038	1,750,038
Increase/(Decrease)	-	(348)	5,941	5,943	83,632	83,868	(789)	386	386	89,600	89,060	64,163	64,163	153,763	153,223	153,223
Ending value 02/28/10	17	3,546	8,856	8,824	157,305	157,889	23,940	5,456	5,456	197,309	199,655	1,703,606	1,703,606	1,900,915	1,903,261	1,903,261

Details of individual assets by account furnished upon request.

4. **U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund**

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that

- a. the Fiscal Year 2011 distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be decreased by 1.9% from \$516,419,406 to \$506,395,811 effective September 1, 2010. The distribution is an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF.
- b. the distribution rate for the Permanent Health Fund (PHF) be increased from \$0.0541 per unit to \$0.0554 per unit for Fiscal Year 2011 (effective with November 30, 2010 distribution);
- c. the distribution rate for the U. T. System Long Term Fund (LTF) be increased from \$0.3098 per unit to \$0.3172 per unit for Fiscal Year 2011 (effective with November 30, 2010 distribution); and
- d. the distribution rate for the U. T. System Intermediate Term Fund (ITF) remain at 3.0% per annum (paid monthly) for Fiscal Year 2011.

The recommended distribution amount and rates were approved by the UTIMCO Board at its April 15, 2010 meeting.

BACKGROUND INFORMATION

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case the distribution shall be 5.0% of the trailing 12-quarter average. "Expected Return" is the Expected Annual Return or Benchmarks set out in Exhibit A to the PUF Investment Policy Statement.

As shown in the table below, the average annual return of the PUF investments for the trailing 12 quarters ending February 28, 2010, has not exceeded the Expected Return by 25 basis points or more ($\geq .25\%$).

	Trailing 12 - Quarters Ending February 28, 2010	Expected or Benchmarks	Excess (Deficit)
Average Annual Rate of Return	-0.48	8.86%	-9.34%

Therefore, as outlined in the PUF Investment Policy, the amount to be distributed from the PUF for Fiscal Year 2010-2011 is \$506,395,811 as calculated below:

<u>Quarter Ended</u>	<u>Net Asset Value</u>
5/31/2007	11,763,605,335
8/31/2007	11,742,780,402
11/30/2007	12,160,738,716
2/29/2008	11,905,770,605
5/31/2008	12,245,951,162
8/31/2008	11,359,463,077
11/30/2008	8,837,574,480
2/28/2009	8,286,887,451
5/31/2009	9,143,803,884
8/31/2009	9,673,908,334
11/30/2009	10,341,053,437
2/28/2010	10,470,036,500
	<u>\$ 127,931,573,383</u>
Number of quarters	12
Average Net Asset Value	<u>\$ 10,660,964,449</u>
Distribution Percentage	4.75%
FY 2010-11 Distribution	<u><u>\$ 506,395,811</u></u>

Article VII, Section 18 of the *Texas Constitution* requires that the amount of distributions to the AUF be determined by the U. T. System Board of Regents (U. T. Board) in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$506,395,811 is substantially greater than PUF bond debt service of \$157,437,011 projected for FY 2010-2011.

<u>System</u>	<u>Debt Service</u>
U. T.	\$ 85,837,011
TAMU	71,600,000
Total	<u>\$ 157,437,011</u>

Sources: U. T. System Office of Finance
Texas A&M University System Office of Treasury Services

2. The U. T. Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF bond debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual net real return rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2010, was 0.28%, which indicates that the purchasing power was met.

<u>Average Annual</u>	<u>Percent</u>
Rate of Total Return	5.20%
Mineral Interest Receipts	2.25%
Expense Rate	(0.31)% ⁽¹⁾
Inflation Rate	(2.47)%
Distribution Rate	<u>(4.39)%</u>
Net Real Return	0.28%

(1) The expense rate as shown is a 10-year annualized average and includes all PUF Investment and PUF Land expenses, including the UTIMCO management fee, paid directly by the PUF. Management fees that are netted from asset valuations and are not paid directly by the PUF are not included, as they are a reduction to the Rate of Total Return.

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. Board (except as necessary to pay PUF bonds debt service). The annual distribution rate calculated using the trailing 12-quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$10,660,964,449	\$506,395,811	4.75%	7.00%

(1) Source: UTIMCO

The spending policy objectives of the PHF and LTF are to

- a. provide a predictable stable stream of distributions over time;
- b. ensure that the inflation-adjusted value of the distributions is maintained over the long term; and
- c. ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.

The spending formula under the PHF Investment Policy Statement and the LTF Investment Policy Statement increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the PHF assets and LTF assets for each fund's respective trailing 12 fiscal quarters.

The recommended 2.4% increase in the PHF distribution rate of \$0.0541 to \$0.0554 per unit was based on the PHF's Investment Policy Statement to increase the distributions by the average rate of inflation for the trailing 12 quarters. The PHF's distribution rate calculated using the prior 12-quarter average value of the PHF is 4.7%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy Statement.

The recommended 2.4% increase in the LTF distribution rate from \$0.3098 to \$0.3172 per unit was based on the LTF's Investment Policy Statement to increase the distributions by the average rate of inflation for the trailing 12 quarters. The LTF's distribution rate calculated using the prior 12-quarter average value of the LTF is 4.8%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy Statement. The increase in the consumer price index for the prior three years as of November 30, 2009, was 2.4%.

The distribution rate for the ITF was set at 3.0% per annum for Fiscal Year 2007 by the UTIMCO Board and the U. T. System Board of Regents on March 30, 2006, and May 11, 2006, respectively.

5. **U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds, authorization to designate all or a portion of the bonds as Build America Bonds, and authorization to complete all related transactions**

RECOMMENDATION

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

- a. adopt a Supplemental Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System (RFS) Bonds in one or more installments in an aggregate principal amount not to exceed \$750 million to be used to refund certain outstanding RFS Bonds, to refund RFS Commercial Paper Notes, to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program (CIP) and to pay the costs of issuance; and
- b. authorize appropriate officers and employees of U. T. System as set forth in the Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents, including to

designate all or a portion of the bonds as Build America Bonds, within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such RFS Bonds.

BACKGROUND INFORMATION

On August 20, 2009, the Board of Regents adopted a resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed \$800 million. A portion of this authority was utilized with the issuance of \$331.4 million RFS Bonds, Series 2010A that were issued on March 25, 2010, and \$385.4 million of RFS Refunding Bonds, Series 2010B that were issued on April 14, 2010.

Adoption of this Supplemental Resolution would rescind the remaining issuance authority under the resolution approved by the Board of Regents in August 2009, and provides a similar authorized amount and purposes as the prior resolution, including the flexibility to issue a portion of the bonds as taxable bonds and to designate such bonds as Build America Bonds.

Adoption of the Supplemental Resolution would also authorize appropriate officers and employees of U. T. System to take any and all actions, including making appropriate elections required by federal tax law, necessary to cause the issuance of all or a portion of the proposed bonds as taxable Build America Bonds. The determination of whether to designate any bonds as Build America Bonds would be made by the appropriate officer based on what is most cost-effective at the time of pricing. The Supplemental Resolution also authorizes the issuance of taxable bonds, without designating such taxable bonds as Build America Bonds, which may be necessary due to the use of certain facilities.

Adoption of the Supplemental Resolution would also authorize appropriate officers and employees of U. T. System to take any and all actions, including making appropriate elections required by federal tax law, necessary to cause the allowable credit to be refunded to U. T. System in the event that all or a portion of the proposed financing is issued as taxable Build America Bonds. The Supplemental Resolution also authorizes the appropriate officers and employees of the U. T. System to refund outstanding RFS Bonds pursuant to a tender program and to use lawfully available funds to defease outstanding RFS Bonds when economically advantageous.

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

Note: The proposed Supplemental Resolution is available online at <http://www.utsystem.edu/bor/AgendaBook/May10/5-12&13-10MeetingPage.html>