

**BUDGET ANALYSIS of THE UNIVERSITY OF TEXAS AT AUSTIN:
A STUDENTS' PERSPECTIVE**

prepared by UT Watch
www.utwatch.org

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OVERVIEW

The Texas Legislature founded the University of Texas at Austin (UT), and the school was opened in 1883 to provide an education "of the first class," made available "to male or female on equal terms without charge for admission...*whether rich or poor.*" The Legislature then established the Permanent University Fund (PUF) as an endowment fund and granted 2.1 million acres for the fund to manage. State appropriations remained high, tuition and fees were next to nothing, and the university fulfilled its role as a public institution. However, changes initiated in the past fifteen to twenty years have altered the University's finances that ultimately hurt students the most.

Today, state appropriations comprise a smaller part of the overall budget, appropriations from the PUF are down despite recent gains, and tuition and fees have been skyrocketing. On the other hand business is booming in the commercialized research sections of the University, paid for in part by new, expensive buildings and direct appropriations. These new multi-million dollar construction projects with little or no Educational and General (E&G) space are approved during hard financial times, and existing buildings are still waiting for renovations.

Simultaneously, some financial aid is decreasing. According to an article in the *Daily Texan* on October 14, 2003, the number of TEXAS Grant recipients is set to decrease. The compounding effects of higher university costs and lower financial aid mean that less of the public will be educated. Many of the poor and middle class cannot afford tuition and fees, books, and the increasing cost of living in the city of Austin.

These trends also hurt diversity on campus. Many minority students on campus belong to low- and middle-income brackets, and raising tuition means fewer minorities can attend college. In a state with a rapidly growing Hispanic population and a large African American population, gross minority under-representation at UT represents serious social and political problems in Texas.

On October 7, 2003, the University's "Tuition Policy Committee" announced its recommendations for sharply increased tuition for the spring and fall semester of 2004, totaling \$361 per semester, with fees for each college increasing by 3 percent. This analysis aims to show that money is being spent at the University in a way antithetical to student interests and that these tuition and fee increases are unnecessary and undesirable.

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DONATIONS

Capital Campaign Status of UT-Austin's *We're Texas!* campaign¹

Amount Raised:	As Of:
1.325 billion	4/30/2003
1.311 billion	3/31/2003
1.303 billion	2/28/2003
1.293 billion	1/31/2003
1.282 billion	12/31/2002
1.261 billion	11/30/2002
1.257 billion	10/31/2002
1.251 billion	9/30/2002
1.246 billion	8/31/2002
1.235 billion	7/31/2002
1.207 billion	6/30/2002
1.191 billion	5/31/2002
1.183 billion	4/30/2002
1.158 billion	3/31/2002
1.138 billion	2/28/2002

¹This data was obtained from The Chronicle of Higher Education's website

UT-Austin launched a 7 year capital campaign in the fall of 1997 called the "We're Texas!" capital campaign to generate funding for UT through private donations. Through August 31, 2003, the campaign secured \$1.36 billion in donations to enhance the academic experience at UT-Austin. Some of the money that has been raised has only been promised but not yet been given to the school. All money, with the exception of \$30 million, is earmarked for specific purposes. These figures are hardly ever mentioned by administrators when determining the budget.

According to an open records request by UT Watch, the University earned \$718.4 million in cash and cash equivalents. Of this, the College of Natural Sciences received \$137.8 million; the College of Business Administration, \$64.2 million; the College of Engineering, \$81.8 million; and the College of Liberal Arts, \$71.4 million. Alternately, the College of Liberal Arts has the highest number of students, with 13,888 enrolled in fall 2002. Natural Sciences reported 10,445 students, the College of Engineering reported 7,364 students, and the College of Business Administration reported 6,235 students. Since a majority of the money received is earmarked for specific purposes, the entire University cannot proportionately reap the benefits of these donations based upon the number of students they enroll.

During the 2003-04 school year alone, donations to the University comprised 16 to 17 percent of the total budget, thus establishing an increasingly larger role of the budget. Comparatively, state appropriations comprise around 20 percent. UT Watch applauds these generous donations but recommends increasing their flexibility so the entire University can benefit.

UTIMCO

The Permanent University Fund (PUF) was established by the Texas Constitution of 1876 to provide substantial financial support for UT. It was one of the key reasons why the University was so cheap for so long, and it has remained one of the single largest endowments in the country. The University of Texas Investment Management Company (UTIMCO) was formed in 1996 to manage endowment funds that include the PUF, the Permanent Health Fund, the General Endowment Fund, the Long Term Fund, and the Separately Invested Funds. The PUF is the largest fund with a book value of \$7.0 billion as of June 30, 2003 (according to UTIMCO's Semi-Annual report), gaining \$300 million from the \$6.7 billion total at the end of FY2002. The two major programs that the PUF supports are Debt Service on PUF Bonds Issued to Fund Capital Expenditures and "Academic Excellence" Programs that "encompass library enhancements, specialized science and engineering equipment, student counseling services, graduate student fellowships, and National Merit and other scholarships."

Despite increases in the PUF, certain appropriations have dropped, including the library hours at the two largest libraries at the UT campus, the Perry-Castañeda Library and the Undergraduate Library. However, some of the new building projects (see page 14) include the PUF as a source of money. This means the PUF is being spent in areas outside of the general good.

The endowment funds used to support the University are not the funds managed by UTIMCO. UTIMCO manages the valuable operating funds: the Short Term Fund, the Short Intermediate Term Fund, and the Institutional Index Funds.

Operating Funds Ownership (in millions)				
August 31, 2002	Short Term Fund	Short Intermediate Term Fund	Institutional Index Funds	Total Value
UT System Administration	\$ 465.5	\$ 80.6	\$ -	\$ 546.1
UT Arlington	65.0	16.6	-	81.6
UT Austin	372.2	92.0	204.4	668.6
UT Dallas	28.5	40.5	-	69.0
UT El Paso	29.6	13.8	-	43.4
UT Pan American	14.2	41.1	1.7	57.0
UT Brownsville	22.0	-	-	22.0
UT Permian Basin	8.2	1.0	0.3	9.5
UT San Antonio	38.7	40.9	-	79.6
UT Tyler	16.2	0.4	-	16.6
UT Southwestern Medical Center at Dallas	43.0	331.5	91.7	466.2
UT Medical Branch at Galveston	136.7	76.7	-	213.4
UT Health Science Center at Houston	45.7	112.0	-	157.7
UT Health Science Center at San Antonio	9.1	137.1	-	146.2
UT M. D. Anderson Cancer Center	13.3	446.6	37.4	497.3
UT Health Center at Tyler	7.2	5.1	-	12.3
Total	\$ 1,315.1	\$ 1,435.9	\$ 335.5	\$ 3,086.5

These funds gained \$90 million over a single year.

Operating Funds Ownership August 31, 2001 (in millions)				
Component	Short Term Fund	Short Intermediate Term Fund	Institutional Index Funds	Total Value
UT System Accounts	\$ 181.7	\$ 78.8	\$ -	\$ 260.5
UT Arlington	45.5	16.7	-	62.2
UT Austin	184.2	392.6	-	576.8
UT Dallas	15.6	39.0	-	54.6
UT El Paso	31.0	13.2	-	44.2
UT Pan American	7.0	44.0	2.1	53.1
UT Brownsville	16.9	-	-	16.9
UT Permian Basin	6.6	1.0	0.4	8.0
UT San Antonio	43.8	24.8	-	68.6
UT Tyler	14.0	0.4	-	14.4
UT Southwestern Medical Center at Dallas	50.8	319.2	97.2	467.2
UT Medical Branch at Galveston	131.2	77.0	-	208.2
UT Health Science Center at Houston	64.9	107.9	-	172.8
UT Health Science Center at San Antonio	16.6	103.8	-	120.4
UT M. D. Anderson Cancer Center	17.8	486.1	45.5	549.4
UT Health Center at Tyler	15.6	0.1	-	15.7
Total	\$ 843.2	\$ 1,704.6	\$ 145.2	\$ 2,693.0

The first chart is from the 2002 UTIMCO Annual Report, and the second chart is from the 2001 UTIMCO Annual Report. Allocations to UT-Austin increased by \$90 million during a single year. The above charts and below descriptions are taken from UTIMCO's website, www.utimco.org.

Short Term Fund

The UT System Short Term Fund (STF) is an institutional money market mutual fund consisting of the UT System institutions' working capital and other operating fund balances with an investment horizon less than one year. Withdrawals from the STF are used by the UT System institutions for day-to-day operating purposes and in the management of cash.

Short Intermediate Term Fund

The Short Intermediate Term Fund (SITF) is an internal UT System mutual fund for the pooled investment of UT System institutional operating funds with an investment horizon greater than one year. The SITF also serves as the source of a \$350 million self-liquidity facility for the Board of Regents of The University of Texas System Revenue Financing System Notes program. During the year ended August 31, 2001, the SITF entered into an additional commitment in connection with the Board of Regents of The University of Texas System Revenue Financing System Bonds, Series 2001A. As of August 31, 2002, the SITF is committed to a maximum purchase commitment of \$71.4 million in the event of a failed remarketing of the Series 2001A bonds.

Distributions from the SITF are used by UT System institutions for intermediate term cash management associated with capital projects and other general institutional purposes. The SITF's primary investment objective is to provide both (1) income and (2) capital appreciation when consistent with income generation, reasonable preservation of capital and the maintenance of adequate SITF liquidity. The SITF emphasizes moderate liquidity and safety of principal through investment in high grade fixed income and floating rate obligations.

The exposure of the SITF to interest rate increases has been minimized to protect the fund from expected interest rate increases as the U.S. economy recovers. The extensive monetary and fiscal stimulus applied by authorities over the past 24 months will ultimately power the sluggish economy. When that occurs, the SITF can take advantage of higher rates without suffering significant capital losses in the interim.

Institutional Index Funds

The vast majority of UT System institutional funds are expected to be expended within five years. Nevertheless, a significant portion of funds classified as institutional funds represents long-term capital reserves such as depreciation reserves. For such funds where achievement of replacement cost and preservation of purchasing power are significant objectives, UTIMCO created the Institutional Index Funds. These funds consist of a U.S. debt index fund and a U.S. equity index fund and are designed to offer higher expected returns than those available with the Short Term Fund and the Short Intermediate Term Fund. The Institutional Index Funds totaled \$204.4 million for UT-Austin at the end of FY2002.

ANALYSIS

The STF is the largest of the three UTIMCO operating funds, totaling \$372.2 million for UT-Austin alone. However, "day-to-day" operations are paid by ever-increasing student fees, with STF capital "tied up in companies," according to Chief Financial Officer Kevin Hegarty at a forum on February 27, 2003. The increase from \$184.2 million to \$372.2 million for the current year should more than account for the current shortfall, cited at \$30 million, since the STF is a money market mutual fund. The STF, SITF, and IIF were established to pay for the many items currently paid by tuition and fee revenues, but their substantial worth should offset the shortfalls. UT Watch recommends cutting a small fraction from these funds to allocate money to their established purposes.

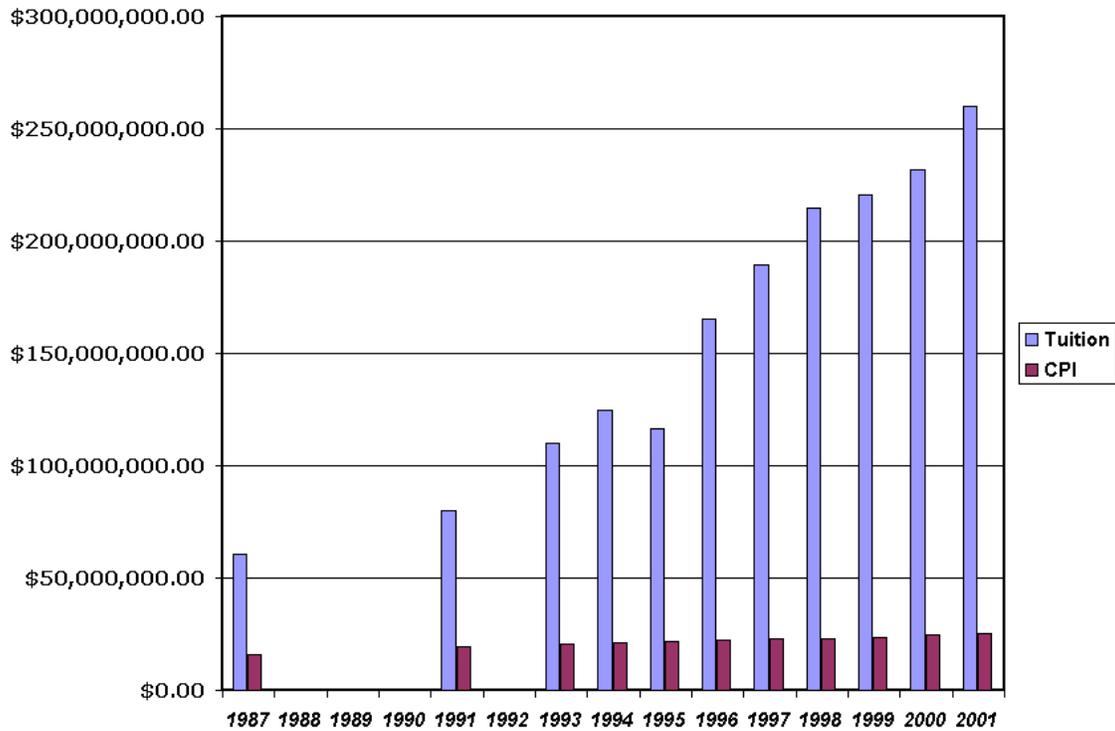
REVENUE ANALYSIS

The early 1970s are heralded as ideal financial times for the University. In 1970, when enrollment was 39,089, state appropriations comprised 43 percent of the total revenue (\$41.8 million out of \$97.6 million), and tuition and fees totaled \$104 per semester. UT collected \$5.5 million from tuition and fee revenue, or around 5.7 percent of the total revenue. Times have changed drastically, according to the charts listed above. The State Appropriations and Tuition charts track revenues from those respective areas since 1970 with inflation measured by the Consumer Price Index (CPI). The CPI lines show the amount per year each area would have earned if the 'ideal' 1970 situation had never changed.

Tuition

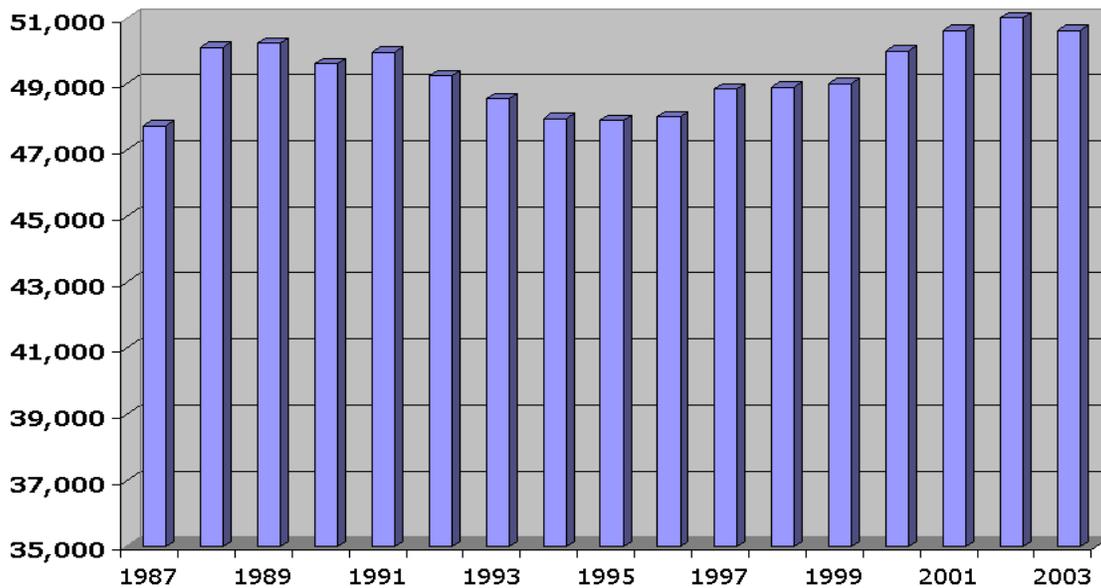
	In State Liberal Arts	In State Natural Sciences	Out of State Liberal Arts	Out of State Natural Sciences	Law In State	Law Out of State
1970	\$104	\$104	\$254	\$254	\$104	\$254
1975	\$195	\$195	\$735	\$735	\$195	\$735
1980	\$226	\$226	\$776	\$776	\$226	\$776
1985	\$364	\$364	\$1,984	\$1,984	\$544	\$2,434
1986	\$431	\$431	\$1,991	\$1,991	\$731	\$2,441
1987	\$435	\$435	\$1,995	\$1,995	\$915	\$2,445
1988	\$487	\$487	\$2,047	\$2,047	\$1,372	\$2,722
1989	\$487	\$487	\$2,077	\$2,077	\$1,372	\$2,722
1990	\$521	\$511	\$2,081	\$2,071	\$1,696	\$3,046
1991	\$615	\$605	\$2,235	\$2,225	\$1,760	\$3,110
1992	\$761	\$771	\$2,831	\$2,841	\$2,226	\$4,026
1993	\$822	\$832	\$2,862	\$2,872	\$2,307	\$4,407
1994	\$933	\$943	\$3,078	\$3,088	\$2,380	\$5,080
1995	\$983	\$1,008	\$3,173	\$3,198	\$2,395	\$5,095
1996	\$1,334	\$1,376	\$4,544	\$4,586	\$2,934	\$6,159
1997	\$1,528	\$1,551	\$4,738	\$4,761	\$3,233	\$6,983
1998	\$1,597	\$1,653	\$4,792	\$4,821	\$3,542	\$7,457
1999	\$1,726	\$1,765	\$4,966	\$5,005	\$3,641	\$7,631
2000	\$1,882	\$1,963	\$5,107	\$5,161	\$4,059	\$8,589
2001	\$2,039	\$2,048	\$5,204	\$5,213	\$4,151	\$8,651
2002	\$2,357	\$2,504	\$5,409	\$5,556	\$5,562	\$9,642
2003	\$2,508	\$2,668	\$5,812	\$5,972	\$5,716	\$10,846
2004	\$3,260	\$3,420	\$6,636	\$6,796	\$6,456	\$11,658

The University's historic mission was to educate the citizens of Texas at a cheap price. Each time the University raises tuition and fees, it strays further from this mission. Between 1970 and 2002, taking inflation into account, tuition and fee costs increased 391.5% for in state Liberal Arts majors, 422.5% for in state Natural Sciences majors, 361.9% for out of state majors, 374.4% out of state Natural Sciences majors, 1,059.9% for in state Law students, and 723.3% for out of state Law students. These figures are for students taking 15 hours, and the tuition prices listed are for fall semesters only. Inflation cannot be calculated for the 2003 and 2004 school years, but tuition and fees will increase by approximately 26% percent for in state undergraduates and 32% percent for in state graduate students between fall 2003 and fall 2004; percentages for non-residents will be slightly larger.

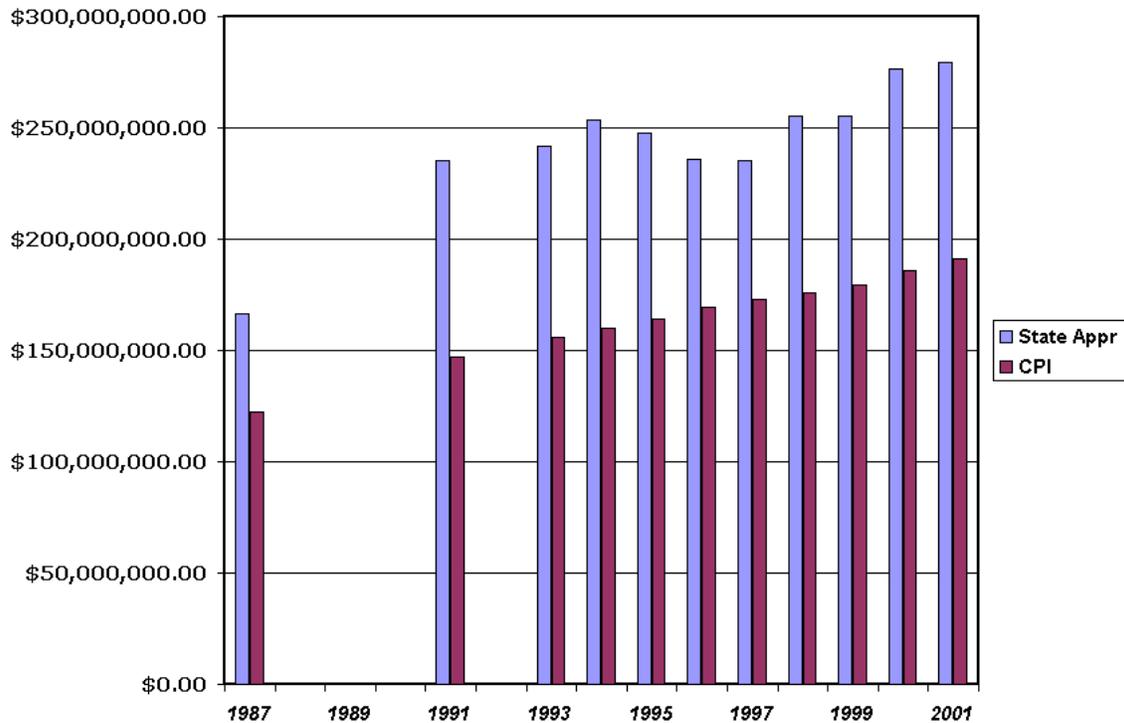


Revenue from tuition has been skyrocketing due to recent tuition increases, far exceeding inflation.

Fall Enrollment 1987-2003



Enrollment has been consistently large. In 1988, UT reported 50,107 students with those numbers stagnating ever since. In fall 2003, 50,616 students attend the University.

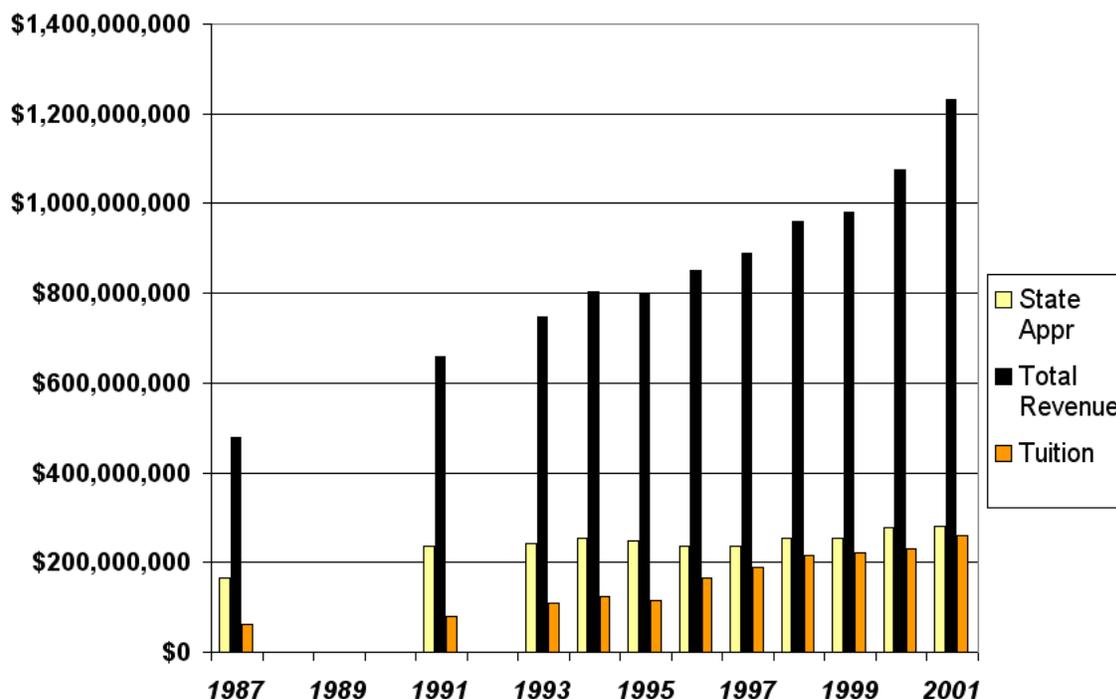


Since 1970, state appropriations at UT have been staying at more or less a 1:1 ratio with enrollment, both of which have been stagnant since the late 1980s. Since state appropriations have been staying proportionately consistent with enrollment, they have not grown much faster than inflation.

As of FY2001 tuition and fees raised \$259.9 million, comprising 21.1 percent of the budget. State appropriations totaled \$279.4 million as compared to \$1.2 billion in total revenue, equating to 22.7 percent of the total revenue. State appropriations have stayed consistently above inflation, around a 1:1 ratio with enrollment numbers.

Despite UT's 2.5 percent increases in the General Appropriations Act for the next biennium (Source: pg. 6, <http://www.utwatch.org/archives/78thLegislature/appropriations.pdf>), state appropriations will continue to comprise a smaller part of overall revenues. The UT administration has repeatedly cited the diminishing role of state appropriations in the overall budget as the reason for raising tuition year after year. However, in light of the other sources of income i.e. contracts and grants for commercialized research that do not benefit the entire university, this argument is unreasonable. UT Watch agrees that state appropriations should increase to take a larger role in the University, which could involve more public oversight of university finances.

Revenue Breakdown, 1987-2001



Total revenue at UT is comprised of state appropriations, revenue from tuition and fees, and the rest is substantially filled with contracts, gifts, and grants. UT Watch recommends separating commercialized research projects from universities resources due to their great cost to students, mostly through constructing new buildings that house commercialized research (see pg. 12) and direct appropriations. For the FY2004-05, UT's budget is set to increase by \$70.3 million, but the money will not go to the general academic good. A meeting with Vice President and Chief Financial Officer Kevin Hegarty revealed that of the \$70.3 million, \$43 million is allocated for additional research. Also, \$22 million was taken from the General Revenue and allocated to research for matching monies, in addition to the 100 percent indirect cost recovery that had a part to play in additional research revenue. It is important for most of this research to be done, but it should come at a cost to the entire student population. Commercialized research projects should be funded exclusively through specific grants, contracts, and endowments but not through the PUF and increased tuition and fees.

RESEARCH

Figure A: Total FY2000 Federal Science and Engineering (S&E) obligations at the University of Texas-Austin, by agency and category of support

Agency	R&D	R&D Plant	Facilities for Instruction	Fellowships	General support for S&E	All other S&E
Total (dollars in thousands)	\$134,977	257	0	3,062	395	21,158
<i>Selected agencies</i>						
Department of Defense	56,480	0	0	0	0	16,768
National Science Foundation	26,286	257	0	747	0	2,673
Department of Energy	11,653	0	0	0	0	0
NASA	9,706	0	0	639	0	452

SOURCE: National Science Foundation/Division of Science Resources Statistics, Survey of Federal S&E Support to Universities, Colleges, and Nonprofit Institutions

As of FY2000, UT received \$272.8 million for research from the federal government, state and local government, industry, institutional funds, and other sources. Federal government grants were the largest, totaling \$178.8 million (see Figure A). These grants went mostly to Research and Development (R&D), fellowships, and other science and engineering (S&E) purposes. However, a total of \$0 went to pay for new buildings. These buildings were constructed mostly on public money, on taxpayer dollars through the PUF and through tuition dollars via designated tuition and Tuition Revenue Bonds (TRB).

Research grants UT receives go mainly to the specific research projects, and some overhead is generated. However, the recent indirect cost bill (HB 1887) passed by the Texas Legislature during the regular 78th Legislative session stipulates that all overhead generated is reinvested in the research enterprise at the institution earning the funds, meaning the funds cannot be spent anywhere outside of developing further research.

Overview of Research

According to a recent report by the Federal Reserve Bank of Minneapolis, research can have many implications. First, there is a difference between basic research and commercialized research. A public institution such as UT or the University of Minnesota should produce basic research since it is a public good. Basic research teaches its researchers basic needed skills, and it can be available to the general public, creating a stream of free flowing knowledge to the outside world. Basic research is the foundation for commercialized research, which could be done by external enterprise. Grants awarded to public institutions are essentially monies not awarded to the private sector, who could potentially earn more profits from the same amount of monies. The authors claim that "not only do the costs appear high, but also estimates of the benefits from university-funded commercially oriented research are low; they may even be zero."

(Source: <http://www.minneapolisfed.org/pubs/fedgaz/01-11/rolnick.cfm?js=0>)

Corporations and the government give the University grants for specific commercialized research that they want to put on the market and ultimately gain private profit. Although the University receives outside grants, universities still pay a price for conducting this commercialized research. The process of getting the product to the market after its research is neither paid by those funding the grants nor is it subsidized by the government, like it is in China for example. Those funding the grants refuse to spend more than is given through their grants for their specific research. For FY2004, UT is spending \$25.5 million on "research enhancement" which will assuredly go to this process.

But the most tangible and expensive way to support commercialized research is to construct new buildings. According to the UT System FY2004-09 Capital Improvement Program (CIP), (http://www.utsystem.edu/FPC/docs/cip%20pdf/BOR_2004-2009.pdf), in the fall semester of 1996, enrollment at UT-Austin was 48,025. The gross square feet (GSF) on campus was 15,574,161 sq. ft., with net assignable square feet E&G (Educational and General) at a surplus at 39,406 sq. ft. In the fall of 2002, enrollment barely increased to a total of 52,261. While GSF increased to 19,307,893 sq. ft., E&G decreased by 970,088 sq. ft. to an overall deficit of 930,682 sq. ft. This means that the additional 3.73 million sq. ft. in these new buildings were not all for educational and general activities but for commercialized research that produce minimal benefits.

Grants awarded to universities result in patents for professors who use students as cheap labor, with minimal proceeds from these patents going to the University. Patents mean knowledge from research is copyrighted through intellectual property rights. This completely contradicts the idea of free flowing public knowledge. Compare all the public money expended on new buildings and "research enhancement" to the \$3.89 million UT earned in royalties from patents during FY2001-02, according to the *Daily Texan* article dated September 30, 2003. Dr. Neil Iscoe, director of the University's Office of Technology Licensing and Intellectual Property, was quoted in the same article:

Protecting patents is not cheap. Initial filing fees with the United States Patent and Trademark Office can cost from \$3,000 to \$9,000. The process of litigating patent infringements can be time-consuming and costly because of confidentiality agreements between the University and companies licensing the patents, litigation cost figures could not be released.

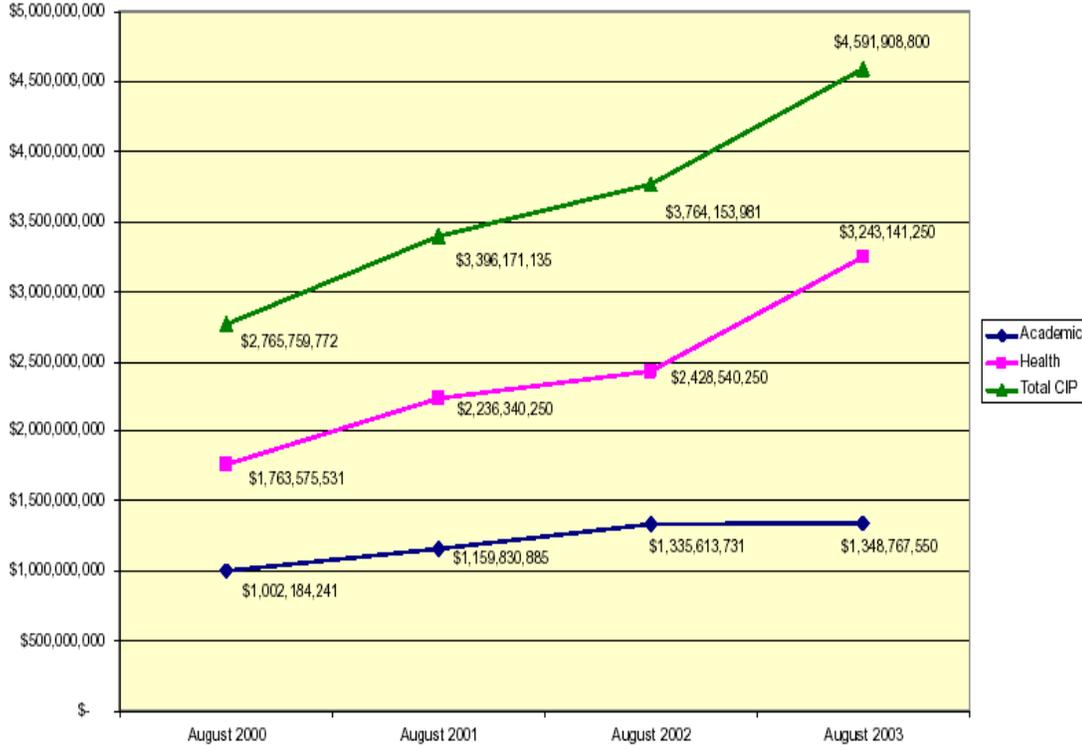
The benefits of commercialized research are given to the professors and those subsidizing the grants, i.e. corporations and the government. On the other hand, the *social costs* borne by commercialized research far exceed the *social benefits*. Corporations and the government have used university resources to conduct their research for decades, which can account for rising tuition and the starving job market. Using university resources means university priorities lie in supporting commercialized efforts instead of the original purpose of public universities, which is education. Graduate students conduct this research for a fraction of the paychecks workers could get paid a living wage, and their paychecks are merely a fraction of market salaries from workers at the corporations or the government, who subsidize these grants, who could be doing this research. Money earned by graduate students also pale in comparison to the debt accumulated from attending a university conducting commercialized research.

CONSTRUCTION

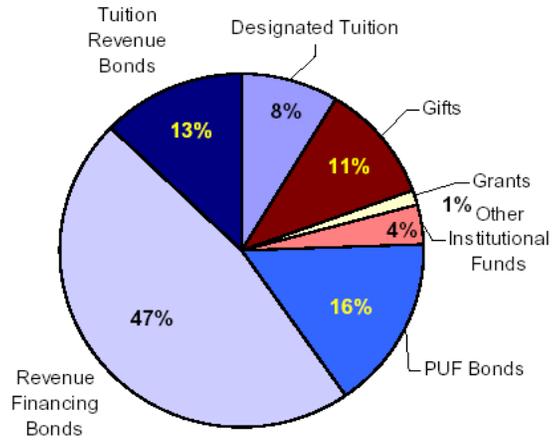
The overall Capital Improvement Program (CIP) for FY2004-09 for the entire UT System totals \$4.59 billion. \$3.24 billion is designated for the health institutions, and the other \$1.35 billion is for the 9 academic institutions.

(Source: http://www.utsystem.edu/FPC/docs/cip%20pdf/BOR_2004-2009.pdf)

Recent Trend in CIP Growth



Funding for the \$1.35 billion for the academic institutions comes mainly from tuition, tuition revenue bonds and other bonds. Higher tuition primarily pays off buildings- not lowering the faculty-student ratio, giving the underpaid staff raises, or any other potential benefits to higher tuition.



**Capital Improvement Program Funding:
\$1.35 Billion**

"The CIP is a six-year projection of major repair and rehabilitation and new construction projects to be implemented and funded from component and System-wide revenue sources." This means that tuition and fees collected at UT-Austin are potentially paying for new buildings at other UT institutions. According to the above chart taken from the CIP report, anywhere from 21-68 percent of building projects are funded by tuition and fee dollars, with another 16 percent coming from the PUF.

These projects include many expensive new buildings at health institutions, such as the University of Texas Medical Branch in Galveston (UTMB). UTMB has started a Biosafety Level 4 (BL-4) laboratory, which is the highest biocontainment level allowed in the United States. Sunshine Project director Edward Hammond discussed UTMB with the *Daily Texan* on November 22, 2002:

A lot of [the research] is getting set to take place in very secretive facilities. And what that's going to do is to provoke a lot of other countries to do secret work on biological weapons...As bizarre as it sounds, I think we are getting into a biodefense race, and everybody knows that the difference between 'biodefense' and 'bio offense' is very, very small.

In addition to questionable research, the money spent on the health institutions is primarily directed to construct new buildings to expand the programs into new fields. However, according to the *Chronicle of Higher Education* dated October 15, 2003, universities have not been sufficiently evaluating health-sciences programs before pumping millions into them. They see a "tremendous size of the health-sciences-education opportunity," but simply providing a space for these programs does not ensure the success of the programs. Schools would need to acquire specialized expensive equipment and maintaining a low faculty-to-student ratio for fields such as nursing. Additionally, growth is equal: "For example, health-information management has seen relatively small growth, while the demand for dental assistants has actually declined." In other words, the \$3.24 billion the UT System is pouring into these buildings might not have the payoff the regents and System administrators are expecting.

Construction at UT-Austin

In the fall of 1988, UT reported 50,107 enrolled students. Reaching maximum occupancy and leveling off enrollment ever since, one would think that money collected for building projects would primarily go to renovations. During the FY2003-04 and FY2004-05 combined, UT-Austin will spend \$289.4 million on 28 different construction projects. The FY2004-09 Capital Improvement Program has UT-Austin spending \$612.3 million total, with \$404.4 million on brand new projects. Instead the University continues to expand, mostly at J.J. Pickle Research Campus where most of UT's commercialized research is carried out.

These are some of the most expensive projects listed in the FY2004-09 CIP, some benefiting the general student population more than others:

Biological Science/Wet Lab Building: \$37,452,830 (to be spent during FY2004-05; \$60,000,000 total)
-\$39,000,000 from PUF bonds
-\$21,000,000 from designated tuition

Biomedical Engineering Building: \$3,718,085 (to be spent during FY 2004-05; \$25,000,000 total)
-\$25,000,000 from designated tuition
--Design Development Approval: 6/04; Notice to Proceed: 12/04

Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility (Stages 1-3): \$24,480,766 (to be spent during FY2004-05); \$55,800,000 total)
-\$5,750,000 from gifts
-\$15,000,000 from Unexpended Plant Funds
-\$6,000,000 from Aux. Enterprise Balances
-\$29,050,000 from Revenue Financing System

Experimental Science Building Renovation Phase I and II: \$12,479,665 (to be spent during FY2004-05; \$35,000,000 total)
-\$35,000,000 from Revenue Financing System
-- Design Development Approval: 11/03; Notice to Proceed: 1/04

Gregory Gymnasium Aquatics: \$11,250,241 (to be spent during FY2004-05; \$12,360,000 total)
-\$7,300,000 from Revenue Financing System
-\$4,460,000 from Aux. Enterprise Balances
-\$600,000 from designated tuition
-- Design Development Approval: 8/03; Notice to Proceed: 10/03

Hotel and Conference Center: \$7,607,143 (to be spent during FY2004-05; \$55,000,000 total)
-\$45,000,000 from Revenue Financing System
-\$10,000,000 from grants
-- Design Development Approval: 8/04; Notice to Proceed: 2/05

Institute for Geophysics and Advanced Computing Center: \$2,619,753 (to be spent during FY2004-05; \$18,000,000 total)
-\$18,000,000 from designated tuition
-- Design Development Approval: 11/03; Notice to Proceed: 2/04

Permanent University Fund (PUF) Bonds are bonds authorized by Article VII, Section 18 of the Texas State Constitution. These bonds are repaid from investment income generated by the PUF and deposited to the Available University Fund. Revenue Financing System (RFS) Bonds are bonds issued by the U. T. System Board of Regents for projects that will typically generate an income stream or student fees that will be used to repay the bonds. These can also be paid by the Short Intermediate Term Fund, but the size of its role in this process remains unclear. Tuition Revenue Bonds (TRB) are bonds authorized by the Texas Legislature. TRBs are issued by the U. T. System Board of Regents under the Revenue Financing System debt program. The bonds are repaid from tuition collected at the component institutions.

The PUF is an endowment fund established to subsidize higher education and was a key reason why tuition at UT was so low for so long. However, it is now going to construct these new buildings that are mostly not for educational and general use, and the general items the PUF once paid for is now covered through increasing tuition and fees (that also go to financing these buildings). Shifting PUF allocations to new buildings instead of general uses means the burden increasingly shifts to the student.

UT also counters national trends when it comes to new buildings. According to a 2001 report by the Society for College and University Planning, most universities agree that renovation of old buildings is more cost effective than building new ones. During slow fiscal times, 75 percent of colleges nationwide would abandon construction projects and 65 percent or more would cut or freeze renovation plans. However, since UT continually starts new building projects, old buildings have amassed \$2.1 billion in total renovation costs. Most of these old buildings are designated for E&G space, with the new buildings going to new research. In the case of the new Biological Science/Wet Lab Building, a new building was constructed for laboratory space when the old labs in need of repair will be handed down to office and classroom space.

PAYCHECKS

During the summer of 2003, the University cut around 500 faculty and staff positions. According to the *Daily Texan* on August 25, 2003, 144 staff members were forced into early retirement by the University from budget cuts. Overall, the University saved \$14.2 million from cutting around 500 faculty and staff jobs, including the early retirees. Additionally, faculty and staff members underwent pay freezes starting in September 2003 and lasting until January 2004. According to Mary Knight, associate vice president and budget director, the University saved \$4-5 million. This was the first time since the 1960s that raises were frozen.

Most UT staff members earn between \$15,000 and \$20,000 per year. In a 1997 report dubbed the "Buck Report", it was found that 94% of staff employees are paid below market salaries, far from a living wage.

Administrative Paychecks

On the other hand, administrative paychecks are at an all-time high. UT-Austin President Larry Faulkner received two pay increases in two years that total \$33,000. UT System Chancellor Mark G. Yudof received \$18,000 by a Board of Regents mandate at the July 7, 2003 meeting. Pay increases have continued through hard economic times, when staff members were laid off and neither staff nor faculty will receive a raise through at least January 2004.

-President Larry Faulkner: \$464,352 total, increased by \$13,000 on August 7, 2003.

***As of FY2002, the average pay for university presidents in Texas is \$206,305**

-Head Football Coach Mack Brown: \$1.7 million.

-Former Head Football Coaches John Mackovic (in addition to a \$643,000 check for leaving) and Tom Penders: Memberships to Barton Creek Country Club

UT System Administrators:

-UT System Chancellor Mark Yudof: \$468,000, with a total annual compensation package of \$796,319 that includes a house and an \$8,400 car allowance. This makes him the highest paid public university leader in the nation.

***As of FY2002, the average pay for university chancellors in Texas is \$332,019**

-UTIMCO Manager Bob "turn-us-around" Boldt: \$400,000, plus the possibility for \$360,000 in performance-based bonuses.

-Special Adviser to the Chancellor Dan Burck: \$386,198

-Executive Vice Chancellor for Academic Affairs Teresa Sullivan: \$265,000

-Executive Vice Chancellor for Business Affairs Kerry Kennedy: \$270,000

-Acting Executive Vice Chancellor for Health Affairs James Guckian: \$300,901

-Vice Chancellor for Administration Tonya Moten Brown: \$218,400

-Vice Chancellor for Community Relations John De La Garza Jr.: \$160,000

-Vice Chancellor for Development and External Relations Shirley Bird Perry: \$212,676

-Vice Chancellor for Educational System Alignment Ed Sharpe: \$230,000

-Vice Chancellor and General Counsel Mike Godfrey: \$216,320

-Vice Chancellor for Governmental Relations and Policy Ashley Smith: \$284,000

-Vice Chancellor for Health Affairs Mike McKinney: \$375,000

-Vice Chancellor for Federal Relations Bill Shute: \$176,800

-Counsel and Secretary to the Board of Regents Francie Frederick: \$200,000

-UT Lobbyists, ahem, Vice Chancellors for Governmental Relations: Former state Sen. David Sibley: \$80,632 (for 10 months of work). Lawyer Sandy Kress: \$52,774. Ashley Smith, former advisor to Rick Perry, will get \$284,000 a year and \$8,400 for a car allowance.

The problem? State agencies in Texas are not allowed to employ lobbyists! (UT is able to do this simply by giving them the title: "Vice Chancellors for Governmental Relations").

OUR RECOMMENDATIONS

In conclusion, increased tuition will not necessarily result in increased academic quality. UT-Austin has seemingly finished growing in enrollment numbers, so new buildings will not necessarily mean more students will be educated. New construction projects are very costly, so they should be scrutinized. New buildings that do not benefit many students should be at least postponed until the economy recovers, so as to minimize the overall impact of higher tuition.

The donations from the "We're Texas!" Capital Campaign are not enjoyed equally by the entire university. Flexibility of donations and large endowments such as the PUF would tremendously help the University through hard financial times. Administrative salaries are also increasing at incredible rates, given the current financial times.

The Tuition Policy Committee stated that the University will experience a \$30 million shortfall for the next year, therefore UT Watch recommends:

- 1) increasing tuition by only \$2 per semester credit hour to offset inflation.
- 2) decreasing many administrative paychecks and deregulating the salaries of UT-Austin President Larry Faulkner and UT System Chancellor Mark Yudof. Their paychecks far exceed their peers in the state of Texas, so their paychecks should be deregulated and driven to their established benchmarks. The excess money from all the administrative paychecks could be used for student scholarships or raises for the faculty and staff.
- 3) increasing the flexibility of donations to UT.
- 4) increasing the role and the amount of state appropriations at UT
- 5) indefinitely postponing new construction and renovation projects that have little or no educational and general space.
- 6) using a portion of the money found in the Short Term Fund, the Short Intermediate Term Fund, and the Institutional Index Funds to offset current shortfalls at the University. Their increases over the past year triple the cited shortfall. Additionally, the costs cited by UT officials for the next several years will significantly decrease if new projects are postponed.
- 7) improving flexibility of the PUF. University officials argued for flexibility in setting tuition, yet they have made no strides to further tap into one of the single largest endowments in the country.