

Tuition Policy Advisory Committee Tuition-Related Questions and Answers

The Tuition Policy Advisory Committee (TPAC) was established for the principal purpose of actively involving members of the student body, the faculty and the administration in the development of The University of Texas at Austin's tuition policy. The Committee consists of 4 students, 2 deans, 1 faculty member and 2 administrators. It began meeting in August 2007 for the purpose of recommending tuition policy for fiscal years 2008-09 and 2009-10. The TPAC submitted its tuition policy recommendations to the President on November 13, 2007. The report has been made available to all students and the public.

In this document the term ***Total Cost of Education*** is used rather than ***Tuition*** because The University of Texas at Austin (the University) adopted a flat-rate pricing structure that bundles tuition and all required fees paid by a student to attend the University. Most Texas institutions of higher education continue to use a complex pricing structure involving statutory and designated tuition and multiple fees that make it nearly impossible for a student to understand what they will pay to attend and how much their total cost to attend changes from period to period. The University of Texas at Austin believes its total cost of education approach brings increased transparency to pricing for the benefit of students and parents.

Here is a list of questions and answers the TPAC believes are useful for understanding some of the factors on which its recommendations are based.

What are the sources of income for University academic operations?

The University's fiscal 2007-08 total operating budget is \$1.9 billion. Of the total amount, auxiliary activities (for example, Athletics, Housing and Food, Parking and Transportation), scholarships funded by specific endowments and externally funded research are about \$900 million. The remaining \$1 billion is referred to as the core academic budget of the University.

The \$1 billion core academic budget is funded primarily from the following sources: tuition (\$469 million), State general revenue (\$322 million), Available University Fund (AUF) (\$143 million), indirect cost reimbursement (\$67 million) and other income (\$30 million).

What is funded and what is not funded using these sources?

Tuition, State general revenue, AUF, indirect cost reimbursement and other income are used to fund the core academic budget of the University. The 2007-08 core academic

budget principally funds the costs of faculty, teaching assistants, and staff salaries and their benefits (\$705 million), academic space maintenance and related operating expenses (\$179 million), academic space utilities costs (\$50 million), student academic scholarships (\$49 million), debt service on academic buildings (\$32 million) and capital projects expenditures for the construction, renovation and repair of academic buildings (\$22 million).

Tuition does not fund sponsored research, positions and operations otherwise supported by specific endowments, continuing education programs, or auxiliary enterprises such as Housing and Food, and Athletics, which charge for their services and must pay all of their operating and capital costs from the monies they are able to earn.

How much is the University's core academic budget proposed to increase in total and what is it for?

The University's core academic budget is projected to increase by **4.70%** (\$48.5 million) in 2008-09 and by **5.16%** (\$55.8 million) in 2009-10 compared to each of the immediately preceding years. Of the total 2008-09 increase, more than 63% (\$30.6 million) is to hire additional faculty, fund additional student-requested services and pay for new college and school programs initiatives, including information technology and library services. The remaining \$17.9 million is principally to fund a 3% salary increase pool and cover a portion of increased benefit costs for faculty and staff. For 2009-10, more than 40% (\$22.5 million) will be used to hire additional faculty and fund college and school program initiatives with the remaining 60% principally used to fund a salary and benefits pool as in the prior year.

The TPAC believes that a superior faculty and staff, a talented, diverse student population, state-of-the-art facilities, strong academic programs for graduate and undergraduate students, and an array of student services are critical if the University is to become the nation's best public research institution.

Is the percentage growth in the University's proposed core academic budget reasonable in comparison to changes due to inflation?

Some will judge the reasonableness of the growth in the University's budget by comparing it to changes in the Consumer Price Index (CPI). The CPI is an index that measures the average price of consumer goods and services purchased by households. It is not entirely reflective of proportion and nature of goods and services purchased by institutions of higher education. A more relevant index, the Higher Education Price Index (HEPI), is designed to measure increases in costs due to inflation for the proportion of goods, services and talent purchased by institutions of higher education. In 2006, the last reported statistics, the CPI was 3.8% but the HEPI was 5%. The HEPI has been higher than the CPI in nearly every year since 1961 because, unlike the CPI, it is more heavily weighted for salaries and benefits, the largest cost component of an institution of higher

education. Using 5% as an appropriate measure of inflation, the TPAC believes projected budget increases of 4.70% and 5.16% are reasonable.

If the University's core academic budget is increasing at 4.70% in 2008-09, why is tuition income increasing at 7.04%?

Sources that fund the budget are growing at different rates. Please note the following example using 2007-08 core academic budget data:

	(1) Budget 2007-08 \$M	(2) Increase Assuming All Grow at 4.70% \$M	(3) Assuming 4.70% %	(4) Increase Assuming Forecast Growth \$M	(5) Assuming Forecast Growth %	(6) Difference \$M
State General Revenue	322.4	15.2	4.70%	0.2	0.06%	(15.0)
Tuition Income	469.0	22.0	4.70%	33.0	7.04%	11.0
Available University Fund	142.5	6.7	4.70%	15.1	10.60%	8.4
Indirect cost	67.0	3.1	4.70%	0.0	0.00%	(3.1)
Other revenue	31.0	1.5	4.70%	0.2	0.65%	(1.3)
Total Core Academic Budget	1,031.9	48.5	4.70%	48.5	4.70%	0.0

The 2007-08 core academic budget is funded from 5 principal sources in the amounts shown in column (1). The *total budget* is forecasted to grow in 2008-09 by \$48.5 million or 4.70%. The dollar amounts in column (2) reflect the amounts by which each individual funding source would grow if each grew at 4.70%. However, each individual funding source typically grows at a rate that is different than the *total budget* growth rate. The forecasted growth rate for each individual funding source is shown in column (5). The dollar difference between an assumed growth rate of 4.70% and the actual forecast rates is summarized in column (6). Since three of the five sources are forecast to grow at rates substantially below 4.70%, the remaining two sources, tuition income and Available University Fund income, must make up the difference to balance the budget. The AUF increases 10.60% (\$8.4 million over 4.70%) and tuition income increases 7.04% (\$11.0 million over 4.7%).

How did The University of Texas at Austin do in the last legislative session compared to previous sessions?

The 80th Texas Legislature appropriated to The University of Texas at Austin \$36.4 million (7.2%) more dollars for this biennium than the prior biennium. However, of this amount, \$23.2 million was earmarked by the Legislature for specific uses such as reconstructing the Experimental Science Building and operating McDonald Observatory and the Marine Science Institute. This left only \$13.2 million total (1.8% each year) in new dollars to pay for the basic core operations of the University for the next biennium. This 1.8% annual increase in State appropriations for general operations is the average size increase the University has received from the Legislature to pay for core operations for over a decade. A 1.8% annual increase does not keep up with inflation.

How does the Legislature determine how much new money to give Texas public universities?

The Texas Legislature uses a number of factors to determine the amount of money it appropriates to each public institution of higher education. However, the State's principal criterion for funding public universities is based on an institution's relative growth in semester credit hours from period to period. Such growth in credit hours implies an inevitable increase in student population. This growth-oriented funding formula works against The University of Texas at Austin because the University does not have the capacity to increase its student population. While some argue that this result is self-imposed, the reality is that we must preserve and enhance the academic experience for our students. As one of the largest universities in the nation, we must manage our enrollment and not allow it to grow such that it inhibits academic excellence. This is in contrast to nearly every other Texas public university, which has the capacity to grow.

Why don't we ask the Legislature for more money in lieu of a tuition increase?

Every legislative session the University asks for the necessary appropriation of general revenue to keep tuition increases to an absolute minimum. However, average growth in the amount of money appropriated by the Texas Legislature for The University of Texas at Austin to pay operating costs has been 1.8% annually for the past decade. This does not keep up with inflation. This is in part due to a legislative allocation process that pays for growth in semester credit hours, a process that is counterproductive to the University's goal of not increasing its student population.

It is impossible to predict what future legislatures might do for the University. Given the growing financial demands of other State programs, it is difficult to conceive that the Legislature will find itself with substantial incremental monies to appropriate to higher education and The University of Texas at Austin. We will continue to work for increased state appropriations, but recent history suggests we should not count on any more of an increase than we have received for the prior decade.

Why does it cost so much more to attend the University today than it did 30 years ago?

There are a number of reasons for the increased cost to attend The University of Texas at Austin. These include expansion in the size and scope of the University, inflation and a shift in costs from the State to students as a result of diminished State support. Consider the following:

Diminishing State Support

	<u>32 Years Ago</u> <u>1975-76</u>	<u>Today</u> <u>2007-08</u>
State General Revenue Funding	\$90M	\$322M
Academic Budget	\$120M	\$1,032M
Percent State Funding	75%	31%

The University's academic budget has grown about 7% compounded annually over the 32-year period. Expansion in the size and scope of the University and inflation are the two principal factors that drove the growth. Growth in the budget created a need for increased funding. During this period State general revenue funding grew at a substantially lower rate than the budget grew. The result is that the State now funds only 31% of the academic budget compared to 75% 32-years ago. A portion of the funding gap caused by diminishing State support has been covered over time by increasing tuition and fees. Therefore it costs a student more to attend the University today than 32 years ago because the size and scope of the University has increased, inflation has increased the cost of providing an education and diminishing State support has shifted a greater fraction of the academic budget to students.

What are the non-tuition funding sources other than State general revenue that fund the University's budget and what is assumed to happen to these sources?

There are three principal non-tuition sources of such funding: distributions from the Permanent University Fund referred to as the Available University Fund (AUF), indirect cost returned from the federal government and other external sponsors for use of facilities and staff in funded research, and interest income on invested cash balances. AUF distributions have averaged an increase of 5% over the past six years, but our most recent projections assume it will increase to an average of about 7% annually over the next six years. Indirect cost returned from the federal government and other sponsors has increased an average of about 6% per year in the past. However, due to the announced reduction in federal funding for research, we project that it will remain flat over the next six years. Finally, interest income on invested cash has increased almost 2% per year over

the past six years, and we project that interest will remain almost flat over the next six years.

How much has the total cost of education to a student at The University of Texas at Austin increased since tuition was deregulated by the Texas Legislature?

The answer to the question largely depends on a student’s family income bracket as demonstrated in the table below (table uses Liberal Arts cost data):

<u>5-Year Analysis</u>	<u>Total Cost to Students from Families Earning</u>			
	<u>Up to \$40k</u>	<u>\$40k to \$60k</u>	<u>\$60k to \$80k</u>	<u>More than \$80k</u>
Fall 2002	\$2,357	\$2,357	\$2,357	\$2,357
Fall 2007	\$2,357	\$2,727	\$3,096	\$3,835
Net Increase	\$0	\$370	\$739	\$1,478
Cumulative 5 year increase	0%	16%	31%	63%
Compounded Annual Increase	0%	3%	6%	10%

Same table but excluding first year (spring & Fall 2004 initial increases)

<u>3-Year Analysis</u>	<u>Total Cost to Students from Families Earning</u>			
	<u>Up to \$40k</u>	<u>\$40k to \$60k</u>	<u>\$60k to \$80k</u>	<u>More than \$80k</u>
Fall 2004	\$3,294	\$3,294	\$3,294	\$3,294
Fall 2007	\$3,294	\$3,429	\$3,564	\$3,835
Net Increase	\$0	\$135	\$270	\$541
Cumulative 3 year increase	0%	4%	8%	16%
Compounded Annual Increase	0%	1%	3%	5%

Total costs for the student from a family earning more than \$80,000 increased from \$2,357 in 2002-03 to \$3,835 for 2007-08, an increase of \$1,478 or 63% for the five-year period, or about 10% a year. However, the answer is dramatically different for a student from a family earning \$80,000 or less because of the additional UT Grant aid made available to these students. This aid is funded from the increase in tuition. Note that under this aid program students from **families earning \$40,000 or less have incurred no increase in costs since tuition deregulation in 2003, and those between \$40,000 and \$80,000 have incurred increases in the 3% to 6% range.** The majority of students at The University of Texas at Austin receive some amount of financial aid in various forms to help pay or finance their education.

To provide a perspective on these tuition increases, both the House and the Senate passed “catch-up” tuition increase bills in the 78th Legislature that would have increased resident tuition by \$23 per semester credit hour (SCH) for spring 2004 and an additional \$23 per semester credit hour (for a total increase of \$46 per SCH) for the 2004-05 academic year. Instead of implementing these legislative tuition increases, the Legislature deregulated tuition and left the “catch-up” to the Board of Regents. After the required 20% set-aside for financial aid, the proposed \$23 per SCH Legislative increase would have generated

\$18.40 per SCH for the University's operating budget. For a full-time (15-hour load) student, the University's tuition increases correspond to a \$24 per SCH increase, which after the 28% set-aside for financial aid included in these increases, yields \$17.28 per SCH for the University's operating budget. The deregulated tuition increases implemented by the Board of Regents provided less operating funding to the University than that from the Legislative proposal due to more funds being set-aside for financial aid for middle class families under the University's action.

The lower half of the table above excludes the first two increases that followed tuition deregulation to better reflect a more normalized rate of increase, absent continued sub-inflation level funding from the State Legislature. Note that in this case the average annual increase in total cost to attend the University ranges from 0% to 5% annually.

How much new tuition income will be raised by the tuition proposal?

The University projects a need for new funding in the amounts of \$64.6 million and \$56.4 million for academic years 2008-09 and 2009-10, respectively. Of this amount \$33.0 million (51%) and \$31.7 million (56%) are proposed to be raised by increasing tuition income. The remainder is proposed to be paid from institutional cost savings, projected increases in the Available University Fund, accumulated cash balances and the 1.8% increase in State general revenue funding.

How much more will the average resident undergraduate student pay as a result of the proposed increase in the total cost to attend the University?

On average, resident undergraduate students would pay \$318 more per semester in 2008-09 compared to the current academic year and \$303 more in 2009-10 compared to the prior year. These amounts represent an average increase in the total cost of education for an undergraduate resident student of 7.8% and 6.9% in 2008-09 and 2009-10, respectively. The actual percentage increase will vary by college and school. The income generated from these increases (\$33.0 million and \$31.7 million) represent a 7.04% and 6.31% increase in new tuition income over the 2008-10 two-year period. The reason for the difference in the percent increase in the total cost to the average student compared to the percent increase in new tuition income is that the current enrollment of 50,201 students is projected to decline to 49,700 students. Thus, there will be 500 fewer students providing the new income.

Why is the total cost to attend the University being increased?

The monies generated from the proposed increases in the total cost to attend the University will be used to improve the University and to pursue our goal of making it the best public university in the nation. The need to increase the total cost is a function of a combination of factors, including but not limited to, the following: decreased growth in state support, increased federal, state and regulatory requirements, which increase costs, competitive compensation to recruit and retain the best faculty and staff, increased

employment cost for such items as healthcare and other related employee benefits, increased energy costs, demand for increased and up-to-date technology, and student and family demands for increased services. In addition to these activities, an increase in the cost to attend is necessary to implement the University's new core curriculum, enhance our general libraries, build a robust information technology infrastructure, provide an aggressive tuition grant program, and repair and renovate existing facilities.

The total cost to attend the University went up this year. Why does it have to go up again?

Notwithstanding the efforts of the University administration to hold increases in University operation costs to the lowest levels possible, the University's annual budget increases each year principally due to staff and faculty salary increases, modest new investments in college and school programs, increases in the cost of employee benefits, and increases in other general operating costs that are not within the direct control of the University. The rise in costs is generally due to inflation, which is projected to be around 5% for goods and services purchased by institutions of higher education.

What is being done to ensure that the institution remains affordable for the most economically challenged students?

Concurrent with the deregulation of tuition in 2003, the 78th Legislature passed a law that requires that the University set-aside a minimum amount equal to roughly 20 cents on every \$1 of tuition increase for financial aid in the form of grants. The monies are required to be used for providing additional student financial grant aid. We refer to these monies as the "UT Grant" program. This program provides grant assistance to students from families earning up to \$80,000 per year. With this program, the most financially needy students, those from families earning \$40,000 or less per year, will have this increase in tuition fully covered by financial aid. Our data suggest that the University remains a very strong value in higher education and that students are finding that it remains affordable after considering the financial aid available to our most economically challenged students.

What happens if the total cost to attend the University is not increased?

For many years, tuition rates were controlled by the Texas Legislature and held to artificially low levels notwithstanding increases in the costs of running the University. As the difference between tuition revenues and related educational expenses grew, the University balanced its budget by regularly increasing student fees and by taking such measures as reducing the dollars it spent on maintaining facilities, granting below market salary increases and severely limiting investment in new programs. This consumed physical and intellectual resources of the campus and compromised the quality of the University in various ways. Buildings become unusable, faculty and staff members leave for other opportunities and programs become average, all negatively affecting the quality

of the University. All of this diminishes the value of a degree earned at the University and affects all graduates.

The Texas Legislature recognized this growing funding deficit and passed a significant increase in tuition in 2003 before withdrawing this increase in favor of tuition deregulation. With the deregulation of tuition Texas public universities, such as The University of Texas at Austin, were faced with correcting the historical deficit. Then, moving forward, they were able to assess their own institution-specific needs and priorities and determine the necessary funding to provide a first-rate education. Periodic, reasonable tuition increases allow the University to compete in the higher education market for talent and students, strengthen its academic programs and ultimately provide for an enriching educational experience. The University has also given students a direct voice in recommending changes in the total cost to attend the University. In 2003 President Larry Faulkner created the Tuition Policy Advisory Committee, which gives students 4 votes on a 9-person committee that recommends tuition policy to the President of the University.

What is the institution doing to keep increases in the total cost to attend to a minimum?

The University administration recognizes it is critical that it rethink how the University operates financially to ensure costs to deliver an education are held to an absolute minimum, while quality is maintained or improved. The University is doing more than just thinking about it. Actions have been taken and continue to be taken. Consider the following:

The University's entire budgeted spending could be grouped into three areas of expenditure: goods and services, space, and people. For the past several years, the University has invested much time and effort to reduce budgets and to contain spending and better leverage our purchasing power when we do spend. We have saved millions of dollars through such actions as instituting central office supply purchasing, changing how we accept credit cards and outsourcing activities such as central receiving and campus delivery.

The University is now focusing much time and effort on the efficient management and operation of our physical space. Over the last few years significant dollars have been invested in upgrading the utility infrastructure to deliver chilled water, steam and distilled water to our buildings in the most efficient manner possible and at a lower price than can be purchased. We are now turning our focus toward space utilization to ensure full use of the space we already have, before deciding to build more facilities. Part of this effort is to reconsider how the University might encourage greater use of its facilities during the summer sessions, which today are used far less than during the spring and fall sessions.

We have and will continue to look at people costs. Over the past several years, the University has invested substantially in Web-enabling university services. As a result, it has automated functions previously performed by people, thereby reducing the need for

staffing while improving services to students by making it available round the clock, every day of the week. For example, students at one time had to wait in long lines to physically pay their bills in person. This required 8 tellers to receive payments. Today, nearly any student bill may be paid on-line at no additional cost to the student. This effort has allowed us to reduce the number of tellers to 2. There are many examples of such success across the University.

At the same time, the University continues to work to increase Legislative appropriations to The University of Texas at Austin. Legislative appropriations directly affect the total cost to attend the University.

Can a portion of the academic financial need be funded by Athletics?

The University's athletic program contributes financially to the academic mission. Last year, the athletic program contributed about \$2.6 million toward academic programs, and it continues to share a portion of the trademark royalty revenues it generates. The University's athletic program is self-sustaining. Notwithstanding its success, if Athletics were required to contribute at even greater levels, it would be forced to eliminate some of the athletic programs that now depend on funding from the more economically successful sports. Not only might such reductions not be possible as a result of Title IX, which requires gender parity in athletics, they might also diminish the breadth of the sports programs available to our students.

The University benefits in non-financial ways from having a successful intercollegiate athletic program. Nearly every athletic program across the country is funded in part by tuition. The University of Texas at Austin is fortunate to be one of about 10 intercollegiate programs that do not receive any direct funding from tuition dollars. While we can all enjoy the spirit and pride the athletic program adds to the social experience of this campus, we can do so knowing it is not at the cost of tuition dollars.

Are increases in the cost to attend the university driving students into greater debt?

We have no data to suggest that more students are borrowing to go to school as a result of increases in the cost to attend. However, there is no doubt that increases in the cost to attend, and costs associated with students' lifestyle choices, may cause some students who already borrow to borrow more to go to school. At The University of Texas at Austin, the median indebtedness for students who borrowed and left the institution in 2005, is \$19,900, up \$600 (2%-3%) from the prior two years.

Are increases in the total cost to attend the University causing students to drop out of school or simply not apply?

We have no data to suggest that increases in costs are causing students to leave the institution before graduating. The University continues to see strong demand for admission from students of all economic backgrounds.

How does the University’s undergraduate resident cost of education compare to peer institutions?

Undergraduate Cost of Education Vs. UT Austin's Peer Comparison Group

Institution	RESIDENT 2007-08		RESIDENT 2006-07		DIFFERENCE	
	Undergraduate Tuition and Fees	Rank	Undergraduate Tuition and Fees	Rank	Dollar	Percentage
University of Illinois-Urbana/Champaign	\$ 11,130	1	\$ 9,882	2	\$ 1,248	12.63%
University of Michigan-Ann Arbor	11,111	2	10,341	1	770	7.45%
Michigan State University	9,912	3	8,887	4	1,025	11.53%
University of Minnesota-Twin Cities	9,598	4	9,173	3	425	4.64%
Ohio State University-Main Campus	8,676	5	8,667	5	9	0.10%
University of California-Berkeley	8,385	6	7,800	6	585	7.49%
Indiana University-Bloomington	7,837	7	7,460	8	377	5.05%
University of California-Los Angeles	7,713	8	7,143	9	570	7.98%
University of Texas-Austin	7,670	9	7,630	7	40	0.52%
University of Wisconsin-Madison	7,188	10	6,730	10	458	6.81%
University of Washington	6,385	11	5,985	11	400	6.68%
University of North Carolina-Chapel Hill	5,340	12	5,033	12	307	6.09%

Notes: Undergraduate tuition and fees are based on 30 credit hours enrolled per academic year or full-time tuition as defined by institution.
Sources: Association of American Universities Data Exchange (AAUDE) Annual Academic Year Tuition and Required Fees report (University of Missouri-Columbia) 2007-08. University web sites.

Based on total cost to attend, The University of Texas at Austin ranks **9** out of **12** in 2007-08 for resident undergraduate tuition and fees among its comparative peer group and continues to be one of the best values among public research universities. Last year the University ranked **7** out of **12**. At this time we do not know how much the competitor institutions may raise tuition and required fees for 2008-09 and 2009-10. But we believe our proposed increases are in line with what our peer institutions will propose and that our relative ranking will not appreciably change as a result of the proposed increases in tuition.

What is the long-term solution for funding The University of Texas at Austin and what does that mean for the future?

The University's core academic budget is financed primarily from funds received from the State, the Available University Fund, research indirect cost return and students. While the growth in philanthropy over the past 10 years has been significant, the majority of these funds are restricted by the donor and dedicated to support and enhance the quality of the University in very specific ways. They do not provide core budget support. The University has and will continue to do everything it can to absorb as much of the effect of diminishing State support possible. However, history suggests that students will also be asked to pay a greater fraction of the academic budget. While we hope that the trend of diminishing State support will not continue into the future, the historical facts suggest we can reasonably expect little change from what we have experienced for the past decade.

What is an endowment?

An endowment is a gift of money for the purpose of providing continuing support. In most cases, the donor directs that the gift monies be invested permanently with only a portion of the investment income to be spent for a specific purpose, as determined by the donor. A legal document governs the use of the investment income and principal for the life of an endowment. It also provides for the disposition of any residual amounts if and when the endowment terminates.

Key attributes of most endowments: Principal cannot be spent unless otherwise provided by the donor, the determination of investment income available for expenditure must preserve principal (adjusted for inflation) and income distributed from the endowment for expenditure must be spent for the specific purpose established by the donor in the endowment document.

While we ask donors for endowments with the greatest flexibility possible, most donors insist that we not spend the principal and they dictate very specifically how the earnings on the principal must be spent. As a result, 97% of the University's endowment payout can only be spent for very specific purposes, which does not include paying for the general operations of the University.

Is it true that the University's total endowment balance is second only to that of Harvard University? How do these monies impact tuition?

The University of Texas at Austin is fortunate to have approximately \$4.2 billion from public endowments via the Permanent University Fund (PUF) and about \$3 billion from privately raised endowments. However, people who claim that the University's endowment is second only to that of Harvard believe the PUF, with a market value of roughly \$14.1 billion, benefits only The University of Texas at Austin. The Texas Constitution allocates the PUF one-third for the benefit of the Texas A&M University System and two-thirds for the benefit of the University of Texas System. Fifteen of the 17

University of Texas *System* campuses, including The University of Texas at Austin, benefit from the two-thirds share of the PUF. The University of Texas at Austin's share of the \$14.1 billion PUF is about \$4.2 billion. In addition, the University has nearly \$3.0 billion from privately raised endowments. Thus, The University of Texas at Austin enjoys the benefit of about \$7.2 billion in total endowments for 50,000 students, or \$144,000 per student, versus Harvard's \$29.2 billion of endowments for the benefit of 16,000 students or about \$1.8 million per student.

The University receives an annual distribution from its share of the PUF for expenditure. For the current academic year the amount is estimated to be about \$143.6 million. These monies fund a portion of the University's academic budget and therefore reduce the amount that students are charged to attend the University. The University will also receive about \$110.6 million for the current academic year from its private endowments. The monies from the private endowment must be spent for the specific purpose determined by the donor of the monies. This does not generally include paying for the basic operations of the University. These monies are largely restricted to scholarships, fellowships, chairs and specific programs. These monies positively impact the quality of the University because they help it recruit and retain the best faculty and students, operate specific programs, and provide scholarships.

Is it true that universities are hoarding endowment monies that could otherwise be used to fund the cost of education in lieu of tuition increases?

While this topic continues to gain national attention, it is simply not true for The University of Texas at Austin. Student tuition and State General Revenue, not endowments, pay for the basic core operations of the University. This is because endowment monies must be spent for the specific purpose determined by the donor and legally established in the endowment agreement. More than 97% of our endowment monies are legally restricted by donors. Most endowments are to establish student scholarships, graduate student fellowships, faculty chairs and professorships, and programmatic support such as centers for specific studies. While these are very important monies because they improve the quality of the University, the University needs recurring monies to fund its basic core operations (salaries, maintenance, utilities, etc.). Donors do not usually establish endowments to support the basic core operations. Even if the present endowment payout rate were increased, the additional monies could not be used to pay for core operations and would have little impact on tuition rates.

The University's private endowments pay out a 4.75% return on principal. Actual return on investment is targeted at a much higher level to preserve the principal by covering the erosion caused by inflation and pay investment management expenses. If the endowment payout were increased, the incremental payout would have minimal to no effect on tuition increases given that the use of monies would continue to be determined by the donors. Less than 3% of the endowment payout can be used by the University to pay basic core operating expenses.