

## Figuring it out

# FY06 Budget Picture Shows Trend Toward Financial Health

By Pamela Lewis, Public Affairs

Looking at the bottom lines of the FY05 and FY06 Operating Budgets for The University of Texas Health Science Center at Houston would give you the impression that we have \$54 million more this year to spend than we did last. Well, yes and no.

Yes, it's additional revenue coming into the budget, but it's already committed to go out again, in the form of new expenditures. For example, of \$17.7 million additional FY06 general revenue, \$15.6 million is committed for graduate medical education, tuition revenue bond payments, and expansion of the Heart and Stroke special item funding. This last item is, according to Kevin Dillon, executive vice president for finance and administration, a tremendous resource for growth, in terms of funds for recruitment and retention of key faculty.

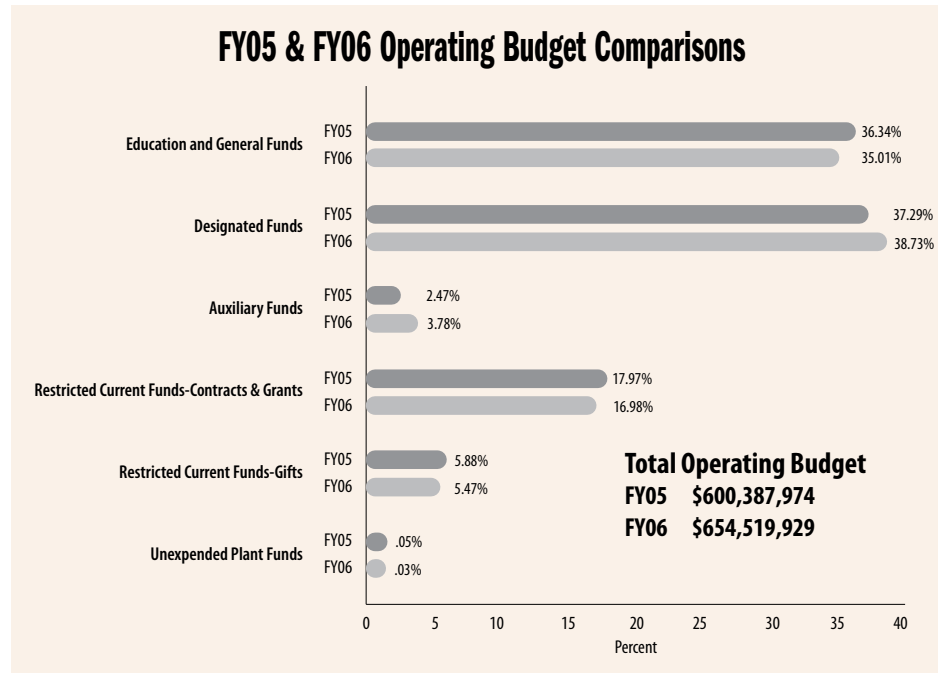
Additionally, the practice plan's revenue budget growth is essentially matched by expense growth.

Therefore, we have a break-even budget this year. This may not seem like cause for celebration, but, it does show a trend toward financial health.

Think back over the last five years. Recall:

- The problems with infrastructure, lost practice plan revenues and lost research because of Tropical Storm Allison in 2001
- A mid-year, 5 percent budget reduction in March 2003 — which, because it had to be implemented over the last six months of the fiscal

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- year, felt like a 10 percent reduction
- A 4 percent reduction in FY04,
- A 7 percent reduction in FY05 and
- Even as we head toward more stability in FY06, many areas have had to take 1 or 2 percent reductions.

At least this year, said Dillon, we have not had to cut our budget below that of FY05, although budgeters throughout the institution did have to figure out how to pay for the \$1,200 raises for anyone making \$120,000 or less per year, as authorized by executives.

Remarkably, even after all of this, Dillon said, "Our financial position in my opinion is still very strong. In FY04 and 05, we made money, in the way in which we, and UT System, generally keep score about such things:

- "We have relatively low amounts of debt for an institution of our size and comfortable levels of liquidity (or "cash")."
- "We're in better shape financially than, probably, about three-quarters of the other academic health centers in the United States."
- "And we're part of a very strong university system."

On the downside, he said, although we do *continued on page 2*

## Out of Austin

# Positive Snapshot of the Impact of the 79th Texas Legislature on the HSC

By Pamela Lewis, Public Affairs

James T. Willerson, M.D., president of The University of Texas Health Science Center at Houston, believes that the 79th Texas legislative sessions had a positive overall impact on the budget and the immediate future of the health science center.

"While we continue to have room for growth in our state appropriations, our overall budget increase of 7.28 percent was a good result. Our general revenue appropriations were not cut, and we received additional funds for key strategic areas, such as recruitment of scientists and funding of full debt service for existing tuition revenue bonds," Willerson said.

Since general revenue funds from the state account for approximately 23 percent

of \$152.8 million of the UT Health Science Center's \$654.5 million annual budget, increasing those funds remains the health science center's highest state legislative priority, according to Willerson.

"Hardworking legislators from across the state have expressed support for and appreciation of our work here at the health science center, and I am grateful for the time and attention that they have devoted to our needs and the needs of all state institutions of higher education."

Willerson was disappointed with the inaction on new tuition revenue bonds to help fund a new Dental Branch building, increased facilities for the School of Public Health, facilities at the Brownsville Regional Academic Campus/School of Public Health Facilities, and \$41.1 million

for biomedical research facilities in cooperation with the Texas Heart Institute. But, he remains hopeful that the legislature will meet again in special session within the next year and take up that issue.

He also expressed great appreciation for the work of all at the UT Health Science Center who helped with presentations and preparing testimony before legislative committees.

"Our cause is best furthered by those who are able to speak with passion, pride and sincerity about the work we do in education, discovery and service," he said. "I commend our executive leadership team, deans, faculty and staff members who contributed to the successes we did have during the meetings of the 79th Texas Legislature."

Following is a summary of the results of UT Health Science Center priority requests made to the Legislature:

### Restored baseline funding and provided for growth and inflation adjustments:

General Revenue Appropriation for FY 2006-2007 biennium was baseline funding, additional increases to the health-related institutions formula funding for growth, and funding of key strategic priority areas:

- \$261.6 million Total General Revenue
- 7.28% increase over 2004-2005 Biennium
- The majority of this increase was due to:
- restoration of previous budget cuts,
- full funding of \$7,108,551 for debt service on existing tuition revenue bonds such as

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## Administrative Changes Made in Finance, IT and President's Office

A number of changes have taken place recently in various areas of General Administration at the UT Health Science Center.

### HR now reports to EVP Dillon

Human Resources has begun reporting to Kevin Dillon, who has the new title

of executive vice president for finance and administration, effective Oct. 1.

Changing the Human Resources department's reporting line from the office of the Chief Operating Officer and Senior Executive Vice President to Dillon will create a more complete finance and administra-

tion unit, thus the change in Dillon's title from executive vice president for finance and business affairs, according to COO Michael McKinney, M.D.

The search for a new chief human resources officer is a top priority and is under way, with the goal of filling that position by

December, Dillon said. Chief Legal Affairs Officer Arlene Staller, J.D., chairs the search committee. Marsha Brody-Silva began serving as interim chief human resources officer when the late Mike Jimenez retired in March.

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### Find a New Pathway to Discovery at 2005 Research Day

Students, staff and faculty are invited to join the more than 150 University of Texas Health Science Center at Houston participants expected this year at 2005 Research Day, Friday, Nov. 18. Featured at the 11th annual event are poster presentations by student and post-doctoral researchers and podium presentations from faculty members who lead large interdisciplinary research programs.

"The new emphasis for Research Day grew out of the National Institutes of Health Roadmap Initiative, which identifies the most compelling opportunities for medical research in three main areas: new pathways to discovery, research teams of the future and re-engineering the clinical research enterprise," Peter J. A. Davies, M.D., Ph.D., executive vice president for research, said.

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