Financial Overview
Fiscal Years 2016 and 2017
Andrea M. Marks, Vice President and CFO
Operating Budget – 2017
Where the Money Comes From
Fiscal Year 2017 (Revenue Budget)

State Appropriations (GR), 175.6, 22%

Net Professional Fees (Patient Charges), 184.1, 23%

DSRIP, 18.9, 2%

Sponsored Programs - Local (Clinical), 156.2, 19%

Gifts for Operations, 14.8, 2%

Educational Activities, 21.2, 2%

Auxiliary Enterprises, 6.8, 1%

Other, 7.3, 1%

Net Tuition & Fees, 38.6, 5%

Investment Income, 38.4, 5%

Sponsored Programs - State, 5.8, 1%

Sponsored Programs - Private (Foundations), 47.8, 6%

Sponsored Programs - Federal, 91.1, 11%

State $214.2M 27%
Clinical 359.2M 44%
Research 144.7M 18%
Other 88.5M 11%
Total $806.6M 100%
Where the Money Goes
Fiscal Year 2017 (Budget by Expense Function)

- Instruction, $355.7, 44%
- Hospitals/Clinics, $106.1, 13%
- Research, $98.5, 12%
- Academic Support, $45.8, 6%
- Institutional Support, $41.5, 5%
- Student Services, $5.0, 1%
- O&M of Plant, $46.2, 6%
- Scholarships & Fellowships, $3.2, 0%
- Depreciation, $52.0, 6%
- Interest Expense, $12.3, 2%
- Auxiliary Enterprises, $7.4, 1%

Total: $804.3 Million
Where the Money Goes
Fiscal Year 2017 (Budget by Expense Type)

- Personnel Costs, $560.0, 70%
- Maintenance & Operations, $180.0, 22%
- Depreciation, $52.0, 6%
- Interest Expense, $12.3, 2%

$804.3 Million Total
Total Budgeted Revenues
2016 vs. 2017 (in millions)

$801.8M  $806.6M

$900.0  $800.0  $700.0  $600.0  $500.0  $400.0  $300.0  $200.0  $100.0  $-

2016  2017

$93.3  $164.3  $337.8  $206.4

$88.5  $144.7  $359.2  $214.2

$4.8M Growth

Major Drivers

- Clinical Practice Plan Expansion - $21.0M
- Right sizing Federal Sponsored Programs budget from prior year - $(16.0M)
Total Budgeted Expenses
2016 vs. 2017 (in millions)

2016: $794.8M
2017: $804.3M

$9.5M Growth

Major Drivers:
- Clinical Practice Plan Expansion - $21.1M
- 2% Staff Merits - $4.0M
- Right sizing Federal Sponsored Programs budget from prior year - $(15.6M)

2017 Budgeted Operating Margin: $2.3m
Operating Margin - 2016
Trend of Actual Revenues & Expenses
Fiscal Years 2012 to 2016 (in millions)
Budget to Actual Operating Margin
(in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Margin</th>
<th>S. TX DSRIP Margin</th>
<th>Budget Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$(3.8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$(6.1)</td>
<td>3.5 (-1.1)</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$(9.6)</td>
<td>$1.4 (2.9)</td>
<td>$6.6 (6.6)</td>
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<tr>
<td>2015</td>
<td>$7.0 (13.2)</td>
<td>$5.8 (9.8)</td>
<td>$4.7 (4.7)</td>
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<tr>
<td>2016</td>
<td>$20.1 (6.9)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Budget to Actual Operating Margin
(in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Actual Margin</th>
<th>S.Tx DSRIP</th>
<th>State</th>
<th>Clinical</th>
<th>Restricted</th>
<th>Designated</th>
<th>Total</th>
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<tbody>
<tr>
<td>2015</td>
<td>$5.8M</td>
<td>$14.5M</td>
<td>$(4.7)</td>
<td>$(6.3)</td>
<td>$(22.3)</td>
<td>$(12.0)</td>
<td>$(6.9)</td>
<td>$9.8M</td>
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<tr>
<td>2016</td>
<td>$7.0M</td>
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<td>$0.00</td>
<td>$(6.9)</td>
<td>$(16.0)</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$20.1M</td>
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<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2.3M</td>
</tr>
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</table>
The CFI measures the overall financial health of an institution by combining four core ratios into a single score:

- Primary Reserve
- Annual Operating Margin
- Return on Net Assets
- Expendable Resources to Debt
State Budget Outlook
Fiscal Years 2018-2019

- House proposes a 4% or $9 million reduction to HSC appropriation
- Senate proposes flat funding with a structural change to the budget that eliminates special items and funds all functions through the formulas

<table>
<thead>
<tr>
<th>Funding Type</th>
<th>Current General Revenue Appropriation</th>
<th>House Bill</th>
<th>House Reduction</th>
<th>Senate Committee Substitute Bill</th>
<th>Senate CSSB1 Reduction</th>
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</thead>
<tbody>
<tr>
<td>Formula</td>
<td>$209,101,055</td>
<td>$202,299,204</td>
<td>(6,801,851)</td>
<td>$239,448,719</td>
<td>$30,347,664</td>
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<tr>
<td>Non-Formula</td>
<td>$4,070,554</td>
<td>$3,717,912</td>
<td>(352,642)</td>
<td>$3,717,912</td>
<td>(352,642)</td>
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<tr>
<td>Special Items</td>
<td>$30,347,662</td>
<td>$28,391,598</td>
<td>(1,956,064)</td>
<td>$</td>
<td>(30,347,662)</td>
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<tr>
<td></td>
<td>$243,519,271</td>
<td>$234,408,714</td>
<td>(9,110,557)</td>
<td>$243,166,631</td>
<td>(352,640)</td>
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</tbody>
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State Budget Outlook
Fiscal Years 2018-2019

• Actual funding will likely remain unknown until late May 2017

• Budgetary units have been advised to plan for an 8-10% reduction in State funding for the FY 2018 budget