

Highlights

UT System efficiency initiatives demonstrate a proactive response to national and local recommendations to cut costs and find efficiencies:

- Initiatives are the result of thorough and ongoing examination of operational areas.
 - Energy Use
 - Cooperative Contracting/Purchasing and Other Shared Services
 - Debt Management and Centralized Investment
 - Insurance and Employee Benefits/Services
 - Organizational/Other Efficiencies

- Documented \$1.42 billion in savings, avoided costs, and increased investment earnings from 2006-2010:
 - \$565 million in 2010 alone
 - \$700.6 million for UT System academic institutions
 - \$722.4 million for UT System health institutions

These cost savings help UT System keep student costs down: Compared to similar universities, UT System academic institutions have much lower costs per degree awarded.

Additional information and comparisons of these data to other Texas institutions are included in the Controller's full report, which can be found at:

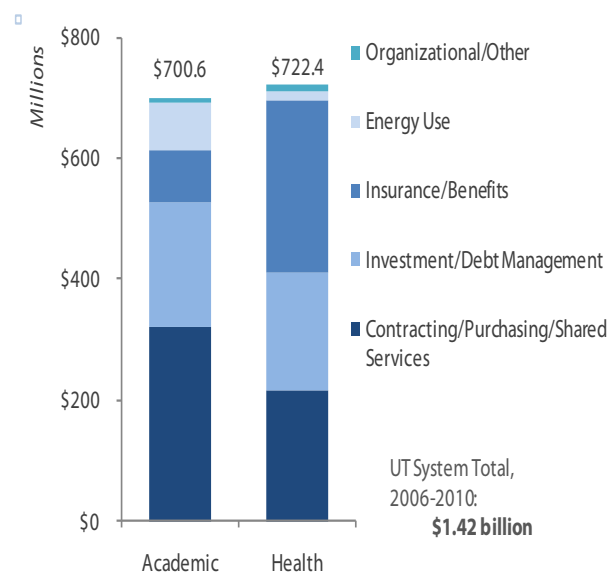
http://www.utsystem.edu/cont/Reports_Publications/GoldwaterReport.pdf

Overview

The University of Texas System Office of Finance recently updated their Cost Efficiency Report documenting the results of ongoing System-level efficiency initiatives. This work captures actual savings, costs avoided, and interest earned on investments over the past five years. This includes only System-level efforts and does not include the many ongoing, campus-level efficiency efforts taking place at all UT System institutions. These savings and cost avoidance funds are redirected to central mission activities such as student success and research competitiveness.

The figure at right illustrates that over \$1.42 billion of savings, avoided costs, and increased investment earnings have been generated in the last five years (including \$565 million in 2010 alone) from actions taken at the System level. While a significant portion of these savings are cost avoidance items, they do reflect true value added.

UT System Productivity and Efficiencies
Cost Savings & Generated Value, 2006-2010



Example

The UT System Shared Journal Collection saves \$60 to \$70 million per year compared to purchasing those journals for each of the participating campuses, although it is unlikely that the campuses would (or could) each expend the resources to purchase all of these journals separately. Still, the savings represent many actual dollars that have been saved or reallocated toward mission critical activities.

The table on the next page provides summary details of each of the initiatives.

UT System Cost Efficiencies, 2006-2010

Initiative	Description	Savings / Costs Avoided / Value Generated		
		Academic	Health	System
ENERGY USE				
System-wide Energy Reduction Goals & Measurement Process	Energy Utilization Task Force works with campuses in reviewing energy use and targeting reductions and annually reports energy usage against targets.	\$81.2 M	\$14.3 M	\$95.5 M
COOPERATIVE CONTRACTING & PURCHASING				
Supply Chain Alliance	The six health institutions have banded together in a sophisticated strategic sourcing alliance and supply chain management project.	\$8.0 M	\$45.0 M	\$53.0 M
Shared Journal Collection	UT Libraries joined with four other Texas universities (Rice U, U Houston, TAMU, and Texas Tech) to establish the Texas Digital Library.	\$195.3 M	\$135.7 M	\$331.0 M
Oracle System-wide Software Site License	A site license agreement with Oracle for use of its PeopleSoft administrative software systems and various other products.	\$15.3 M	\$7.1 M	\$22.4 M
Multiple Non-Exclusive System-wide Contracts	<ul style="list-style-type: none"> • Master Banking Services, Master Depository, and Merchant Card Processing Agreements • Contracts for hazardous, medical, and radioactive wastes; disaster recovery; and spill control/emergency response • System-wide Microsoft contract • Website security contract • System-wide executive search contracts with multiple vendors 	\$11.9 M	\$11.3 M	\$23.2 M
OTHER SHARED SERVICES INITIATIVES				
<i>The shared services model leverages the efficiencies and economies of scale while allowing the flexibility and responsiveness of local governance. Through numerous shared services activities the UT System has been able to realize significant cost savings, enhance efficiency through standardization, and promulgate identified best practices.</i>				
<ul style="list-style-type: none"> • Shared regional data centers (Arlington, Houston) • A joint implementation of a Shared Student Information System for UTA, UTD, UTT • Joint online Effort Reporting System at all UT campuses • Joint implementation of an HR/Finance system for seven academic institutions 		\$88.7 M	\$16.6 M	\$105.3 M
DEBT MANAGEMENT & CENTRALIZED INVESTMENT				
<ul style="list-style-type: none"> • Debt restructuring and refinancing • Lowered bond issuance costs • Effective management of System debt program • Pool and centrally invest institutional operating reserves 		\$208.4 M	\$196.0 M	\$404.4 M
INSURANCE				
Rolling Owner Controlled Insurance Program	Consolidated purchase of Workers' Comp and General Liability insurance coverage for all contractors on UT System managed construction projects	\$22.1 M	\$18.4 M	\$40.5 M
System Management of Professional Medical Liability Insurance, Workers' Compensation Insurance, and Other Risks and Associated Insurance		\$19.7 M	\$176.5 M	\$196.2 M
EMPLOYEE BENEFITS & SERVICES				
<ul style="list-style-type: none"> • Reduced administrative fees on the multiple employee benefits contracts • Reduced costs on pharmacy and vision contracts • Pursued and received federal subsidies for Early Retirement Insurance Program and Medicare Part D • Implemented the first online "Evidence of Insurability" system 		\$43.6 M	\$88.6 M	\$132.2 M
ORGANIZATIONAL & OTHER EFFICIENCIES				
Reductions in administrative positions	At the request of the Board of Regents and under the direction of the Chancellor an organizational review was conducted of System offices which resulted in the reduction of 84 positions	\$5.5 M	\$11.1 M	\$16.6 M
Operational Changes	<ul style="list-style-type: none"> • Relocation of University Lands Accounting to Midland • Outsourced UT System Admin Complex building security to UT Austin • Outsourced UT System Admin Complex custodial services • Decommissioning the Law Library 	\$0.9 M	\$1.9 M	\$2.8 M
TOTAL		\$700.6 M	\$722.4 M	\$1.423 B