



## Legislative Impact

June 29, 2011

To the UT Southwestern Community:

Now that the Texas Legislature has finalized the state budget for the next biennium, I am writing to inform you of the impact on UT Southwestern and to highlight the key issues guiding the development of our institutional budget for FY12.

As you know from the media and campus communications over the past six months, the Texas Legislature faced a significant revenue shortfall in developing the state's budget. Overall, the legislators approached the challenge philosophically committed to dealing with the budget gap primarily through reductions in spending.

In the end, UT Southwestern's state support was reduced by nearly 22% – which amounts to \$31 million per year. In contrast to general academic UT campuses, we are fortunate to have sources other than the state appropriations contributing to our total operating budget of \$1.5 billion. Nonetheless, since much of our other funding comes from gifts and grants designated for specific uses, the loss of \$31 million in state funding, which is used to support our academic mission, creates a significant challenge for our entire campus.

Having anticipated that we would likely have to deal with a state reduction of some magnitude, the Executive Vice Presidents (Dr. Greg Fitz, Dr. Bruce Meyer, and Mr. John Roan) and I began the FY12 budget planning process late last fall. As I indicated in a March message, our highest priority was to devise an approach that would sustain UT Southwestern's most important accomplishments and would allow the Medical Center to continue progress towards achieving our desired future.

To that end, we developed the strategic framework noted below for UT Southwestern's FY12 budget. The framework guided central administration budget allocations to each department – and the departments in turn were asked to develop their budgets in accord with the same framework.

The key elements were:

1. Budget reductions were distributed across the entire campus, including the Health System, which is not supported by state funds. In other words, to sustain the overall strength of our academic programs, areas that are primarily supported by the state appropriation were not disproportionately affected by the reduction in state funding.

2. Since salary expenses constitute the largest portion of our total budget, we could not expect to accomplish the \$31 million reduction without some reductions in current positions. Decisions about the extent to which these reductions could come from not filling open positions and where they needed to involve layoffs of current employees were made at the department level. Faculty non-renewals were handled in the usual way, and in the end, approximately 350 staff positions were eliminated. About 250 of these were currently vacant positions. The 105 staff whose positions were eliminated have all now been notified.

We deeply regret the need for any of these reductions, and our Office of Human Resources is actively working with all affected employees to help them find other positions.

3. To sustain UT Southwestern's excellence and commitment to our goals, our budget strategy means that at the same time that cuts are being made in some places, program areas that reflect our highest priorities have been targeted for growth and investment.

4. Since recognizing excellence in performance is among our highest priorities, the FY12 budget includes a merit program to allow for modest salary increases. However, as a contribution to the rest of the campus community, the salaries for campus leaders at the level of Associate Vice President or Associate Dean and above have been frozen.

In addition to wanting all members of the UT Southwestern community to be aware of the strategic imperatives guiding decisions about our FY12 budget, I also want to emphasize that the reduction in our state appropriation does not affect our plans for the new University Hospital. There are NO state funds involved in the hospital project, and as a capital investment, its funding sources are outside the parameters of our operating budget. If anything, we are fortunate to be launched on this project, because in addition to the compelling need to replace University Hospital-St. Paul, having a flourishing Health System is essential to the future strength of UT Southwestern Medical Center.

Although we have faced some challenging – and painful – decisions in preparing our FY12 budget, we are doing so from a position of significant strength and considerable momentum in the quality of our faculty and the scientific, clinical, and social value of their work; of our education and training programs to prepare future physicians and scientists; and of the patient care we provide through our thriving University Hospitals and Clinics and at affiliated institutions.

We all have many reasons to be proud of being associated with UT Southwestern Medical Center, and by continuing to be strategic and disciplined in making the decisions before us, as we face constrained resources and a rapidly changing landscape for health care delivery, we can also feel that we have a very promising future ahead.

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