Texas universities feeling recession's bite

By JEANNIE KEVER Copyright 2009 Houston Chronicle

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It was a bad year for university endowments. A sampling of losses during the 2009 fiscal year:

- Texas A&M University: 10 percent
- Baylor University: 13.3 percent.
- University of Texas system: 15 percent.
- University of Houston: 16.8 percent.
- Rice University: 18.2 percent.
- Southern Methodist University: 24 percent.

Note: SMU results as of May 31; Rice and Baylor as of June 30; A&M, UT as of Aug. 31.

At the University of Houston, where the endowment dropped 16 percent in the fiscal year which ended Aug. 31, regents reduced the amount of money pulled from the endowment, squeezing the budget elsewhere — leaving positions vacant, cutting utility costs and laying off a small number of employees, among other things — to replace endowment money used for scholarships and other student initiatives.

"There was a whole series of things proposed in the original budget that we didn't do because we ran out of funds," said Carl Carlucci, executive vice chancellor for administration and finance.

Other schools have taken similar measures.

At the University of Texas system schools for the Permanent University Fund, which provides money to both UT and A&M, and UTIMCO investments ended up down 15 percent for the year; investment losses accounted for 13 percent, with the rest due to the fact that the payout to member schools exceeded new contributions.

That added up to big money — a drop of $1.7 billion in the PUF and $900 million in various university endowments.

"Anytime you have this large a decrease in the value of your portfolio, it has to have an impact," said Scott Wise, president of Rice Management Co., the investment arm of Rice University.

The stock market began to bounce back this spring, and virtually all endowments have gained ground since then. And it's hard to compare endowment performances from school to school, since not all report results on the same date.

Many private schools, including Rice, report their endowment performance once a year, on June 30. Most public universities use a fiscal year that starts on Sept. 1, so their most recent results show Aug. 31 balances, allowing them to accrue two more months in a recovering market.

Still, everyone suffered.

The Rice endowment dropped more than 18 percent for the year ending June 30, a loss of $838 million. As a result, the school cut its operating budget for the current fiscal year by 5 percent, briefly imposed a hiring freeze, limited most pay increases to people earning less than $60,000 and cut energy use by setting thermostats higher in summer and lower in winter.

The Rice stock fund lost $898 million, or 24.2 percent, and the endowment was down 19.4 percent, both of which are the biggest annual declines in its history.

The University of Texas at Austin saw its endowment drop 15 percent, the worst annual performance since it started in 1955. The University of Texas at Dallas endowment dropped 13.3 percent. The University of Houston, which had a 16 percent drop, was doing better than in recent years, said Bruce Zimmerman, the chief financial officer at the University of Texas at Austin.

Texas A&M University, which had a 10 percent drop in its endowment, had a better year than in recent years, said Ken Redd, director of research and policy analysis for the group, said results nationally are expected to be similar to that of the Standard & Poors 500 stock market index.

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A preliminary study found that university endowments fell about 23 percent between July and November 2008. equal
University of Houston:

University of Texas system:

Texas A&M University:

It was a bad year for university endowments. UTIMCO investments ended up down 15 percent for the year; investment losses accounted for 13 percent, with the chief executive of the University of Texas Investment Management Co., which manages investments for all UT, said.

Several UT system schools have frozen salaries or even laid off employees as a result, said Bruce Zimmerman, the next few years. And even schools which don’t depend heavily upon their endowments have been squeezed. But using a multi year average means a bad year can ripple through university budgets for at least

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Universities build endowments from donations and other gifts, investing the money to support scholarships, faculty positions vacant, cutting utility costs and laying off a small number of employees, among other things. But not all schools depend upon endowment money equally.

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