

THE UNIVERSITY OF TEXAS SYSTEM

**LIBRARY, EQUIPMENT, REPAIR AND REHABILITATION
BUDGET RULES AND PROCEDURES**

For Fiscal Year Ending August 31, 2007

A. INITIAL BUDGET

1. U. T. System institutions are authorized to purchase approved Library and Equipment items and to contract for Repair and Rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits. This includes expenditures for Faculty STARS or similar special programs.
2. Transfers by the U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements.
3. Final approval of specific Repair and Rehabilitation projects will be in accordance with U. T. System Board of Regents established procedures for construction projects.
4. All expenditures are subject to the provisions of the U. T. System Board of Regents' *Rules and Regulations* for the governance of The University of Texas System.

B. BUDGET AMENDMENTS

1. ITEMS REQUIRING APPROVAL OF THE U. T. SYSTEM ADMINISTRATION AND SUBSEQUENT APPROVAL BY THE U. T. SYSTEM BOARD OF REGENTS THROUGH THE DOCKET
 - a. Substitute Library and Equipment purchases that are not on the approved list.
 - b. Funding for new Repair and Rehabilitation projects that are not on the approved list.
2. ITEMS REQUIRING APPROVAL OF U. T. SYSTEM ADMINISTRATION (NON-DOCKET)
 - a. Transfers of appropriated funds between approved Library and Equipment items.
 - b. Transfers of appropriated funds between Repair and Rehabilitation items.
 - c. Transfers of funds for approved Library and Equipment purchases to fund approved Repair and Rehabilitation projects and vice versa.

C. OTHER CONSIDERATIONS

1. All Library and Equipment or Repair and Rehabilitation appropriations not expended or obligated by contract/ purchase order within six months after the close of Fiscal Year 2007 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the Associate Vice Chancellor – Controller and Chief Budget Officer on recommendation of the president and the appropriate executive vice chancellor.
2. All Faculty STARS or similar program appropriations not expended or obligated by contract/ purchase order within eighteen months after the date of award by the appropriate executive vice chancellor are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the Associate Vice Chancellor – Controller and Chief Budget Officer on recommendation of the president and the appropriate executive vice chancellor.

THE UNIVERSITY OF TEXAS SYSTEM

**EXPENDITURE GUIDELINES – PERMANENT UNIVERSITY FUND BOND PROCEEDS
LIBRARY, EQUIPMENT, REPAIR AND REHABILITATION
INCLUDING SPECIAL PROGRAM FUNDING**

For Fiscal Year Ending August 31, 2007

A. AUTHORIZATION OF PUF BOND PROCEEDS FOR LIBRARY, EQUIPMENT, REPAIR AND REHABILITATION

Article VII, Section 18 (b) of the Texas Constitution authorizes the Board of Regents to issue bonds and notes secured by the U. T. System's interest in the Available University Fund for the purpose of:

- acquiring land, with or without permanent improvements;
- constructing and equipping buildings or other permanent improvements;
- major repair and rehabilitation of buildings and other permanent improvements;
- acquiring capital equipment; and
- acquiring library books and library materials.

It is for the last three purposes noted above that the U. T. System Board of Regents has established the Library, Equipment, Repair, and Rehabilitation (LERR) Program.

B. ELIGIBILITY FOR LERR PROGRAM FUNDS

Eligibility for LERR program funds is the same as eligibility for PUF bond proceeds as set forth in the Constitution. Eligible entities include U. T. System Administration, all U. T. academic institutions except for U. T. Pan American and U. T. Brownsville, and all U. T. health institutions.

C. GENERAL GUIDELINES FOR USE OF LERR PROGRAM FUNDS

In addition to meeting the constitutional requirements outlined above, the general guideline to determine whether an item is eligible for LERR is that it must have a useful life of at least one year. The following sections are provided to assist with that determination. These guidelines are not intended to be exhaustive and any questions regarding LERR eligibility should be directed to the U. T. System Administration Office of the Controller.

Repair and Rehabilitation of Buildings or Other Permanent Improvements

Major repairs or rehabilitation of buildings or other permanent improvements include, but are not limited to, repairs, renovations, replacements, or betterments that are normally expected to extend the useful life, improve operating efficiency, eliminate health and safety hazards, correct structural or mechanical defects, upgrade the quality of existing facilities, or convert these assets to more useful functions, but that are not considered routine maintenance.

The cost of major repairs or rehabilitation of buildings or other improvements can include the contract price or cost of construction and other costs that would be applicable to make the building or improvement suitable for its intended use.

Acquisition of Capital Equipment

Capital equipment is generally regarded as nonexpendable, tangible personal property having a useful life of more than one year.

The acquisition cost for equipment includes the net invoice price, including any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. In addition, taxes, duty, in-transit insurance, freight, and installation charges are also included as part of the acquisition cost. Capital equipment, including software, that will be used system-wide, or between and among U. T. institutions and System Administration, is eligible for LERR program funds.

Software

Any capitalized costs associated with the development or implementation of software, including personnel costs (salaries), are eligible for LERR. This principle applies whether the salaries are paid to employees of the institution or to outside parties. Training costs related to software usage are discussed below.

The purchase of bundled software included as part of the initial acquisition of computer hardware is capitalizable and therefore eligible for LERR program funds.

Software maintenance costs are considered operating expenses and therefore are not eligible for LERR program funds unless the costs are part of the initial cost of the software.

Costs for software licenses that will be permanently owned are eligible for LERR funds. Leased or licensed software that requires the payment of an annual fee and that will not be owned when the license expires is not eligible for LERR.

Employee Training and Travel Costs

In some instances, non-recurring costs to train employees to operate new equipment (including software) may be capitalized. In order to determine whether travel and training costs may be capitalized and should be included in the acquisition cost for capital equipment, consideration should be given to whether:

- licensed personnel are required to operate the equipment;
- the equipment poses a danger to public safety;
- training will yield long term benefits to the institution;
- the equipment has been recently introduced and represents the first use of its kind by the institution; and
- the equipment is constructed specifically for the institution or is purchased off the shelf.

For capital equipment constructed specifically for the institution, initial training costs to operate the equipment may be capitalized. For capital equipment purchased off-the-shelf, employee-training costs may be capitalized if they are extraordinary, one-time costs and are expected to yield long-term benefits.

Routine training not attributable to equipment acquisition cannot be capitalized and therefore is not eligible for LERR.

Acquisition of Library Books and Library Materials

The acquisition of library books and library materials is eligible for LERR. A library book is generally defined as a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library materials are information sources other than books, including journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items that provide information essential to the learning process or enhance the quality of university library programs.

The acquisition cost of library books and library materials can include the invoice price, freight-in, handling and insurance, binding, electronic access charges, reproduction and other like costs required to put these assets in place, with the exception of library salaries.

Prohibition for Student Housing, Athletics, and Auxiliary Enterprises

The Constitution prohibits the use of PUF bond proceeds, and therefore the use of LERR program funds, for student housing, intercollegiate athletics, or auxiliary enterprises.

D. SPECIAL PROGRAM FUNDING

Faculty STARS Program

The Faculty STARS (Science and Technology Acquisition and Retention) Program funded by LERR supports the recruitment and retention of the best-qualified faculty at both academic and health institutions by providing additional resources to build and enhance research infrastructure. Because the STARS program is funded through LERR, the same guidelines apply and each item must have a useful life of more than one year. LERR funds are available for laboratory renovation and equipment purchases; however, faculty salaries cannot be paid from LERR funds.

There are three related program goals that form the basis of the STARS program:

- to recruit senior faculty with national prominence; and
- to improve the quality of new faculty and research capacity of the institutions by augmenting the start-up packages for tenure and tenure-track faculty; and
- to retain high quality faculty who have had offers from another research institution or have the potential to leave because of limited access to quality equipment or laboratories.

Additional information regarding the STARS program is available from the Office of Academic Affairs or Health Affairs.