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# AVAILABLE UNIVERSITY FUND REPORT

December 2011



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Prepared by  
The University of Texas System  
Office of the Controller

Report to the Legislature and Governor  
Pursuant to Rider No. 4 to Available University Fund Appropriations  
HB 1, 82<sup>nd</sup> Legislature, Regular Session, Page III-58



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For questions concerning this report, contact:  
U. T. System Office of the Controller  
512.499.4527



**RIDER NO. 4 TO AVAILABLE UNIVERSITY FUND APPROPRIATION**

The text of Rider No. 4 to the Available University Fund Appropriation in House Bill 1, 82<sup>nd</sup> Legislature, Regular Session is as follows:

**“Reporting.**

a. The University of Texas System Board of Regents and the Texas A&M University System Board of Regents shall report to the Legislature and the Governor no later than December 1 of each year the uses of the Available University Fund (AUF) for each system component and for the system office operations for the two previous years, the current year, and two future years (projected). Each report shall contain detailed information on the following:

- (1) debt service allocations, by component;
- (2) bond proceeds allocations, by component;
- (3) excellence allocations, by component or system office, and their purposes;
- (4) Available University Fund income, interest, beginning-and-end-of-year balances; and
- (5) the rationale used by the respective boards to distribute AUF funds.

b. In addition, by December 1 of each year, authorized managers of permanent funds and endowments whose earnings are appropriated above shall submit an annual financial report which shall include, at a minimum, an income statement and balance sheet and a summary of the investment return of the fund during the preceding fiscal year. The annual financial report shall also contain:

- (1) a summary of all gains, losses and income from investments and an itemized list of all securities held for the fund on August 31;
- (2) any other information needed by the Governor or the Legislative Budget Board to clearly indicate the nature and extent of investments made of the fund and all income realized from the components of the fund.

The annual financial report shall be distributed to the Governor and Legislative Budget Board by December 1 of each year of the biennium.”

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## AVAILABLE UNIVERSITY FUND

## RATIONALE FOR DISTRIBUTION FROM PERMANENT UNIVERSITY FUND

The *Texas Constitution* defines the Available University Fund (AUF) as consisting of distributions from the total return on all investment assets of the Permanent University Fund (PUF). The U. T. System Board of Regents has adopted a policy designed to provide the AUF with a stable and predictable stream of distributions over time, as well as to maintain the purchasing power of both the PUF assets and AUF distributions.

The *Texas Constitution* limits the discretion of the U. T. System Board of Regents to determine the amount of PUF distributions in any given year by stipulating that annual distributions cannot exceed 7% of the average market value of PUF investments. In addition, distributions cannot increase year to year if the purchasing power of PUF investments has not been preserved over rolling 10-year periods. The only exception to these provisions is that distributions must be sufficient to meet annual debt service requirements on PUF bonds and notes.

The AUF consists of distributions from the PUF. The Board of Directors of the University of Texas Investment Management Company (UTIMCO) recommended, and the U. T. System Board of Regents approved, distributions from the PUF to the AUF for the fiscal years ending August 31, 2011 and 2012, respectively. The U. T. System Board of Regents has established a U. T. System Board of Regents' *Rules and Regulations*, [Rule 80303](#) (*Regents' Rule 80303*) on "Uses of the Available University Fund." Regent's Rule 80303 sets UTIMCO's recommended distribution at 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending in February prior to the beginning of the new fiscal year. If the average annual rate of return on PUF investments over the trailing 12 quarters exceeds the expected return by 25 basis points or more, the recommended rate is to be 5.0%. For FY 2011, the actual distribution was 4.75% and totaled \$506,395,811. For FY 2012, the average annual return of the PUF investments for the trailing 12 quarters ending February 28, 2011, did not exceed the expected return by 25 basis points or more. Therefore, the "default" distribution rate should have been 4.75%, or \$497,032,518. However, the U. T. System Board of Regents has the authority to distribute any amount that it deems appropriate up to a maximum rate of 7%. Due to a record year of PUF royalty income, strong investment performance by UTIMCO, and the constrained State of Texas budget situation for the biennium, a distribution from the PUF to the AUF of 5.5% or \$575,511,336 for FY 2012 was approved. The distribution rate of 5.5% is illustrated in [Appendix A](#) and satisfies the limitations in the *Texas Constitution*.

Deposits credited to the AUF are administered by the State Comptroller and, along with other funds of the State, are invested in accordance with State law.

Table 1

THE UNIVERSITY OF TEXAS SYSTEM AVAILABLE UNIVERSITY FUND FY 2010 – FY 2014		
	Actual FY 2010	Actual FY 2011
<b>Income and PUF Distributions</b>		
Divisible with Texas A&M University		
Investment Income and Distributions	\$ 516,419,406	\$ 506,395,811
Surface & Other Income	<u>13,762,331</u>	<u>16,417,250</u>
<b>Net Divisible Income and Distributions</b>	530,181,737	522,813,061
Less: A&M Share (1/3)	<u>(176,727,245)</u>	<u>(174,271,020)</u>
U. T. Share (2/3)	353,454,492	348,542,041
AUF Interest Income	<u>4,691,404</u>	<u>3,710,617</u>
<b>Income and Distributions Available to U. T.</b>	<u>358,145,896</u>	<u>352,252,658</u>
<b>Transfers/Expenditures</b>		
Debt Service on PUF Bonds	(114,089,350)	(85,768,819)
U. T. System Administration:		
Administration	(32,123,866)	(31,055,791)
Distance Education	(2,910,010)	(344,838)
Systemwide Initiatives	(30,132,518)	(81,930,000)
Regents' Outstanding Teachers Awards	(4,000,000)	(4,000,000)
U. T. Austin:		
Excellence	(220,690,000)	(157,670,000)
Center for Technology Commercialization	(5,000,000)	-
Faculty Recruitment	(20,000,000)	-
Systemwide Technology & Telecommunications	<u>(1,060,000)</u>	<u>(1,060,000)</u>
<b>Total Transfers/Expenditures</b>	<u>(430,005,744)</u>	<u>(361,829,448)</u>
<b>Net Surplus/(Deficit)</b>	(71,859,848)	(9,576,790)
<b>Net Assets – Beginning of Year</b>	<u>171,723,780</u>	<u>99,863,932</u>
<b>Net Assets – End of Year</b>	<u>\$ 99,863,932</u>	<u>\$ 90,287,142</u>

Note: FY 2012 Budget and FY 2013-14 Projections subject to change due to market conditions and unforeseen emergencies or opportunities.

Source: U. T. System Administration Financial Statements, Annual Operating Budget, and projections from the U. T. System Office of Finance.

As of 12.1.2011

Table 1 (Continued)

Budgeted FY 2012	Projected FY 2013	Projected FY 2014
\$ 575,511,336	\$ 535,906,881	\$ 587,410,680
<u>15,185,000</u>	<u>15,191,000</u>	<u>15,191,000</u>
590,696,336	551,097,881	602,601,680
<u>(196,898,779)</u>	<u>(183,699,294)</u>	<u>(200,867,227)</u>
393,797,557	367,398,587	401,734,453
<u>2,865,000</u>	<u>2,216,000</u>	<u>2,831,000</u>
<u>396,662,557</u>	<u>369,614,587</u>	<u>404,565,453</u>
(102,454,683)	(149,279,975)	(173,308,019)
(32,625,748)	(33,604,520)	(34,612,656)
-	-	-
(99,888,650)	-	-
-	-	-
(178,500,000)	(166,330,000)	(182,055,000)
-	-	-
-	-	-
<u>(1,060,000)</u>	<u>( 1,060,000)</u>	<u>(1,060,000)</u>
<u>(414,529,081)</u>	<u>(350,274,495)</u>	<u>(391,035,675)</u>
(17,886,524)	19,340,092	13,529,778
<u>90,287,142</u>	<u>72,420,618</u>	<u>91,760,710</u>
<u>\$ 72,420,618</u>	<u>\$ 91,760,710</u>	<u>\$ 105,290,488</u>

As of 12.1.2011

**USES OF THE AVAILABLE UNIVERSITY FUND BY U. T. SYSTEM**

The AUF is used for four primary purposes:

- (1) to pay interest and principal due on PUF bonds,
- (2) to provide for the expenses of the U. T. System Administration,
- (3) to provide for academic excellence for U. T. Austin, and
- (4) to fund special U. T. System initiatives.

*PUF Debt Service*

Bonds supported by income generated by the PUF are periodically issued by the U. T. System Board of Regents to finance capital improvements, equipment, and library books or materials for U. T. System Administration and 13 of U. T. System's 15 institutions. U. T. System institutions eligible for PUF funding, as specified in the *Texas Constitution*, are:

U. T. Arlington	U. T. Southwestern Medical Center
U. T. Austin	U. T. Medical Branch - Galveston
U. T. Dallas	U. T. Health Science Center - Houston
U. T. El Paso	U. T. Health Science Center - San Antonio
U. T. Permian Basin	U. T. M. D. Anderson Cancer Center
U. T. San Antonio	U. T. Health Science Center - Tyler
U. T. Tyler	U. T. System Administration

U. T. Pan American and U. T. Brownsville are supported by the Higher Education Assistance Fund, which funds similar capital expenditures at institutions not participating in the PUF.

Capital improvement needs of the institutions are extensively evaluated on an ongoing basis and incorporated in a six-year Capital Improvement Program (CIP). The General Policies applicable to the formulation of the CIP are illustrated in [Appendix B](#).

Issuance of PUF bonds for capital improvements reflects the assessments made in the CIP process, the availability of other resources, and the projected availability of AUF funds to finance the bonds in conformance with Regents' Rule 80303 on "Uses of the Available University Fund" (see [Appendix C](#) for a discussion of this rule).

The first use of AUF funds is to service the PUF-backed debt discussed above. [Appendix D](#) provides a history of the U. T. System PUF Bond Proceeds appropriated to each institution through FY 2011 as well as projected appropriations through FY 2014. While U. T. System Administration pays all PUF debt service directly from the AUF, [Appendix E](#) provides estimates of PUF debt service allocated to each institution for FY 2010 through FY 2014.

#### *U. T. System Administration*

A second use of the AUF is to support the U. T. System Administration including information technology and distance education initiatives. The uses of these funds are described in [Appendix F](#).

#### *Academic Excellence Funds – U. T. Austin*

Pursuant to the terms of the *Texas Constitution*, U. T. Austin is the only U. T. System institution eligible to receive resources from the AUF for academic excellence (program enrichment) purposes. According to *Regents' Rule 80303*, AUF transfers to U. T. Austin for program enrichment purposes must not be less than 45% of the projected U. T. System share of the net divisible AUF annual income and distributions. U. T. Austin received distributions for excellence pursuant to this rule for FY 2010 and 2011 totaling \$160,690,000 and \$157,670,000 respectively.

U. T. Austin depends on academic excellence funds from the AUF for needs such as library enhancement; enhancement of academic department operations; specialized science, engineering, and computing equipment; scholarships and fellowships; and support of special units. These special units conduct research, disseminate research and scholarship information to the general public, and provide public service. [Appendix G](#) further describes the uses of the AUF transfers to U. T. Austin for excellence purposes.

In December 2009, the U. T. System Board of Regents approved \$21 million to be expended \$7 million per year between FY 2010 and 2012 as additional funding to be spent in support of excellence, specifically faculty enhancement, in a manner consistent with U. T. Austin's mission. In August 2010, the Board approved an additional \$39 million to be expended for excellence at a rate of \$13 million per year over the same three years. Both of these allocations are in addition to the amounts required by *Regents' Rule 80303*. This funding is reflected in its entirety in FY 2010 on Table 1.

*Other Projects – U. T. Austin*

The U. T. System Board of Regents approved, beginning in FY 2009, \$5 million for a commercialization program which effectively establishes the Center for Technology Commercialization (CTC) at U. T. Austin aimed at accelerating the transfer of university discoveries into commercial products and increasing the number of start-up companies. The award for CTC was distributed to U. T. Austin in FY 2010 and is intended to be spent through FY 2013 as the Board of Regents instructed. This funding is reflected in FY 2010 on Table 1.

For FY 2010, the U. T. System Board of Regents authorized \$5 million in one-time funding for faculty recruitment aimed at hiring top faculty talent, and an additional \$15 million to be spent over three years, beginning in FY 2010, to match external contributions on a one-to-one basis.

*U. T. System Initiatives*

Funding is made available through special allocations by the U. T. System Board of Regents for various strategic priorities and initiatives of the U. T. System.

In FY 2009, the U. T. System Board of Regents created the Regents' Outstanding Teacher Awards (ROTA) program as an undergraduate teaching excellence award program. Faculty are evaluated on sustained excellence in teaching, instructional development, curricular design and advising and mentoring. The program is Systemwide, but AUF is used to provide awards at U. T. Austin while other funding sources are used for the other U. T. academic institutions. A total of \$5 million of AUF was committed to this program for the five year period through FY 2013. At their August 2011 meeting, the U. T. System Board of Regents approved an additional \$4 million of AUF to continue the program through FY 2017.

The U. T. System Office of Telecommunication Services provides institutions with inter-institutional voice, video, and data communications in support of their missions of education, research, health care and public service. Annual funding for these activities is \$1.06 million.

Other initiatives resulting in funding allocations during FY 2010 include:

- \$15 million to begin implementation of a single instance PeopleSoft Human Resources/Finance system for seven academic institutions and U. T. System Administration.

- \$6.1 million to pay Systemwide Microsoft license renewals and to provide all U. T. System institutions' faculty, staff and students with the most commonly used Microsoft products. The savings that institutions achieved by not having to pay these renewal costs were directed to be used for recruitment of top faculty talent.
- \$5 million of a shared library storage facility for U. T. System libraries and Texas A&M University System libraries.
- \$4 million for the Transformation in Medical Education initiative to address challenges in physician education.
- \$2 million to a new distance education initiative, the Baccalaureate Accelerated Completion Program.

Special initiatives funded through FY 2011 allocations of AUF by the U. T. System Board of Regents include:

- \$23 million to support Systemwide computing capabilities including completion of 10 gigabyte connectivity through the 15 campuses and the U. T. System data centers, additional high performing computing capacity and pilot projects on shared data storage in support of research. Much of this funding has ultimately been transferred to U. T. Austin to manage the efforts on behalf of U. T. System.
- \$15 million of additional funding to continue the PeopleSoft Human Resources/Finance system implementation.
- \$6 million to fund PeopleSoft transition costs at U. T. System Administration and to establish a shared business operation whereby U. T. System will provide shared services to several of the institutions participating in the PeopleSoft conversion.
- \$17.6 million for information technology costs that were normally funded by assessments collected from U. T. System institutions.
- \$10 million to create the U. T. Horizon Fund, an evergreen venture fund that will provide resources for high quality prospects with potentially strong commercial application.
- \$9 million for "Strength in Numbers," an initiative to strategically build infrastructure, skills, programs and personnel to increase and sustain philanthropic support among U. T. institutions.
- \$1.3 million to study Systemwide information technology security.

For FY 2012, the following initiatives have received AUF allocations:

- \$50 million for the Institute for Transformational Learning aimed at using technology to implement innovative education delivery models with the goal of improving learning outcomes and providing more options for students to complete their degrees on time.
- \$10 million to purchase equity interests in MyEdu with the goal of increasing graduation rates and supporting career readiness goals.
- \$2 million in support of the \$10 million total initiative for a Productivity and Excellence Framework including the establishment of a dashboard allowing the U. T. System to take real time snapshots of productivity measures across the system.
- \$34.9 to bolster information security compliance across the U. T. System and to secure the U. T. System Research Cyber-infrastructure.
- \$2 million to fund an external review at all U. T. campuses to assess the short-term and long-term computing needs in research, education and patient care.
- \$1 million to support the external financial audit of the U. T. System.

**U. T. SYSTEM ENDING AVAILABLE UNIVERSITY FUND NET ASSETS**

As of August 31, 2011, the AUF cash balance in the State Treasury as reflected in the annual financial report was \$411,354,894. This balance does not include receivables of \$211,431 or payables of \$321,279,183. The payables include \$200,853,113 due to U. T. Austin; \$119,870,979 due to other U. T. System Administration fund groups; and \$555,091 of other obligations. After considering the receivables and payables, the AUF net assets are \$90,287,142.

With a \$19.1 billion original cost investment in physical plant for U. T. System (excluding U. T. Brownsville and U. T. Pan American), additional unexpected needs for repair or replacement could arise at any time. The minimum AUF balance of \$30 million set by *Regents' Rule* 80303 would repair or replace less than 1% of the facilities. Additionally, the AUF balance serves as a financial cushion against capital market volatility, which can adversely impact future PUF distributions to the AUF. In the event of any negative variance between projected and actual distributions from the PUF or unexpected capital needs, the AUF balance would be used to support the operating expenses or to pay PUF debt service.

AUF-funded operations of U. T. System Administration are primarily accounted for in the administration's Educational and General Fund. As of August 31, 2011, the unexpended net assets resulting from transfers from the AUF were \$58,884,071 for Systemwide initiatives and \$10,978,360 for core administration.

In addition to the funds held by U. T. System Administration, U. T. Austin also maintains AUF net assets to meet emergency needs. As of August 31, 2011, U. T. Austin had ending net assets as reflected in its annual financial report of \$165,892,139. This balance includes reservations for encumbrances and prepaid expenses of \$4,666,472. Net of reservations, the AUF net assets at U. T. Austin are \$161,225,667 at August 31, 2011.

Table 2 presents a reconciliation of U. T. System Administration AUF cash held in the State Treasury with net assets for FY 2010 and 2011.

Table 2		
Reconciliation of U. T. System AUF Cash		
	At Aug. 31, 2010 (Actual)	At Aug. 31, 2011 (Actual)
Cash in Treasury	\$ 353,230,677	\$ 411,354,894
Receivables	313,788	211,431
Sub-total	353,544,465	411,566,324
Payables	(253,680,533)	(321,279,183)
AUF Net Assets	\$ 99,863,932	\$ 90,287,142
Source: 2010 and 2011 U. T. System Annual Financial Reports		

# Appendices

**APPENDIX A – PERMANENT UNIVERSITY FUND MARKET VALUE AND DISTRIBUTION TO THE AVAILABLE UNIVERSITY FUND**

The Board of Directors of UTIMCO recommended, and the U. T. System Board of Regents approved, a distribution of \$575,511,336 from the PUF to the AUF for the fiscal year ending August 31, 2012. This distribution is equal to 5.50% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 28, 2011.

<b>Table 3</b>	
<b>Permanent University Fund Market Value</b>	
May 2008	\$12,245,951,162
August 2008	11,359,463,077
November 2008	8,837,574,480
February 2009	8,286,887,451
May 2009	9,143,803,884
August 2009	9,673,908,334
November 2009	10,341,053,437
February 2010	10,470,036,500
May 2010	10,524,153,261
August 2010	10,724,962,438
November 2010	11,619,582,822
February 2011	12,338,732,852
12-quarter average	\$10,463,842,475
	X 5.50%
Distribution to the AUF, FY 2012	\$ 575,511,336

**APPENDIX B – CAPITAL IMPROVEMENT PROGRAM – GENERAL POLICIES**

The Capital Improvement Program (CIP) is a six-year projection of major new construction and repair and rehabilitation projects to be implemented and funded from institution and Systemwide revenue sources. The U. T. System Board of Regents has established criteria for adding projects to the CIP and for appropriating funds from the AUF or from PUF bond proceeds for those projects. The CIP is to reflect the institutions' continuous processes of strategic planning and master planning for institutional programs, as well as for the future development and preservation of the physical plant of the campus.

In evaluating the assignment of AUF or PUF funding to a project, the following justification criteria documented in *Regents' Rule 80303* are considered:

- (1) consistency with institutions' mission;
- (2) project need;
- (3) unique opportunity;
- (4) matching funds/leverage;
- (5) cost effectiveness;
- (6) state of existing facility condition; and
- (7) other available funding sources.

**APPENDIX C – BOARD OF REGENTS’ RULES AND REGULATIONS “USES OF AVAILABLE UNIVERSITY FUND”**

The U. T. System Board of Regents formalized a long-standing policy on the uses of the AUF in 2004 by creating *Regents’ Rule* 80303 that was later amended in August 2008.

*Regents’ Rule* 80303 establishes procedures for the approval of PUF-funded projects, criteria for project selection, minimum debt service coverage, and a minimum reserve balance. The rule specifies that:

- (1) The forecasted AUF expenditures for program enrichment at U. T. Austin must not be less than 45% of the projected U. T. System share of the net divisible AUF annual income and interest income on AUF balances [subject to the limits imposed by (1) and (2) below],
- (2) Debt service coverage must not be less than 1.5 times the annual debt service, and
- (3) The forecasted end-of-year AUF balance must not be less than \$30 million.

*PUF Bond Ratings*

In late 1997 and 1998, the three major rating agencies that rate PUF debt (Moody’s, S&P, and Fitch) assigned to the PUF outstanding bonds the highest rating of Aaa, AAA and AAA, respectively.

In its report on the PUF Bonds, Series 2009A transaction, Moody’s stated that “Our stable outlook on the PUF-related debt is based on continued strong debt service coverage, credit quality of the System, a still-sizeable PUF corpus, manageable projected borrowing plans, and favorable debt and investment management oversight.” Standard & Poor’s affirmed its AAA long-term rating in its April 2011 report, citing as rationale the absolute size of the PUF, the dedicated nature of the fund, solid annual debt service coverage of PUF bonds and notes payable from the AUF coupled with statutory limits on the issuance of additional debt secured by PUF investment earnings, and strong oversight and capable asset management by UTIMCO.

The U. T. System Board of Regents expects management to implement policies that will help U. T. System achieve the highest possible credit ratings while pursuing its mission, thereby allowing debt to be issued at the lowest possible rates.

## APPENDIX D – ANALYSIS OF PERMANENT UNIVERSITY FUND BONDS ISSUED AND ALLOCATIONS

FISCAL YEAR	PUF BONDS/ VAR. RATE NOTES ISSUED	ALLOCATIONS					
		UT SYSTEM	UT ARLINGTON	UT AUSTIN	UT DALLAS	UT EL PASO	UT PERMIAN BASIN
1932-1981 \$	303,500,000	6,945,270	-	161,672,121	-	52,912,655	-
1982	-	54,108	-	2,541,532	-	20,765,183	-
1983	54,000,000	48,649	-	75,322,149	-	-	-
1984	67,000,000	130,000	-	10,833,432	-	13,478	-
1985	54,000,000	311,031	-	5,845,680	-	-	-
1986	175,000,000	20,600,250	43,361,000	47,555,060	4,267,553	9,005,067	1,617,000
1987	-	457,470	1,870,138	(3,105,558)	5,950,000	286,158	271,000
1988	25,000,000	1,271,859	6,257,482	25,914,821	23,674,180	2,888,604	493,000
1989	50,000,000	112,327	3,332,000	12,915,383	2,750,000	8,125,000	809,835
1990	165,000,000	2,830,000	12,802,500	14,351,763	2,760,000	1,270,000	525,000
1991	20,000,000	32,202,234	216,639	7,654,983	488,603	50,000	-
1992	70,000,000	7,292,184	4,595,000	7,815,000	6,298,803	4,698,569	3,407,000
1993	-	-	(582,153)	(11,500,000)	641,149	600,000	769,000
1994	40,000,000	165,348	(4,128,000)	(397,207)	557,246	552,424	1,731,000
1995	-	(18,991,942)	1,844,438	34,196,322	1,410,000	1,054,106	1,886,000
1996	25,000,000	(223,631)	3,934,989	1,246,914	5,259,774	2,806,876	460,000
1997	85,000,000	2,300,000	8,015,015	5,598,930	1,939,004	6,335,000	590,000
1998	52,000,000	5,314,606	4,241,735	5,620,000	1,689,074	2,512,000	553,748
1999	30,000,000	-	1,750,000	3,646,100	1,350,000	1,625,000	240,900
2000	70,000,000	-	5,273,646	5,037,806	31,799,347	2,470,000	3,114,200
2001	100,000,000	3,845,250	14,304,633	499,733	1,600,000	-	200,000
2002	234,000,000	(284,632)	1,900,427	43,629,994	33,990,000	19,104,998	1,300,000
2003	125,000,000	1,830,910	15,322,500	3,381,859	2,100,000	10,500,000	3,734,000
2004	100,000,000	1,752,879	2,359,600	4,266,717	19,691,465	2,994,603	1,160,000
2005	125,000,000	23,250,329	7,989,541	15,254,316	13,739,061	9,002,474	1,814,929
2006	100,000,000	14,599,048	5,199,762	11,513,900	18,726,000	4,649,600	974,000
2007	100,000,000	23,585,912	6,825,267	63,510,045	10,011,360	17,410,559	3,131,248
2008	300,000,000	(15,417,378)	44,386,107	65,605,374	28,525,000	4,085,232	879,000
2009	250,000,000	3,309,025	30,547,383	13,388,016	4,650,000	71,964,000	13,330,000
2010	260,000,000	28,297,567	1,866,735	47,924,991	19,249,413	20,600,000	518,000
2011	-	29,192,627	3,375,241	4,722,986	40,762,000	2,899,035	777,500
Subtotal	2,979,500,000	174,781,301	226,861,625	686,463,162	283,879,032	281,180,621	44,286,360
Est. 2012	-	85,408,327	1,748,000	78,655,500	1,700,000	2,524,000	685,000
Est. 2013	-	-	-	-	-	-	-
Est. 2014	-	-	-	-	-	-	-
TOTAL \$	2,979,500,000	260,189,628	228,609,625	765,118,662	285,579,032	283,704,621	44,971,360

As of 12.01.2011

Note: Estimates for FY 2012 include projects approved through August 2011. Of the estimated FY 2012 allocation to U. T. System, \$82.7 million relates to various academic and health initiatives are expected to be allocated to eligible U. T. institutions during FY 2012.

## APPENDIX D – ANALYSIS OF PERMANENT UNIVERSITY FUND BONDS ISSUED AND ALLOCATIONS (CONTINUED)

FISCAL YEAR	ALLOCATIONS				
	UT SAN ANTONIO	UT TYLER	UT SWMC	UTMB GALVESTON	UTHSC HOUSTON
1932-1981 \$	-	-	50,439,127	46,440,519	6,292,106
1982	-	-	(2,650,000)	16,260,000	3,650,000
1983	-	-	10,480,000	459,409	290,000
1984	-	-	(2,784,250)	(3,100,000)	3,320,000
1985	-	-	-	(44,324)	-
1986	2,859,110	4,364,394	4,776,925	6,350,417	11,601,600
1987	1,529,000	330,000	487,165	2,005,000	10,000
1988	4,830,546	580,300	16,454,523	2,660,527	4,063,843
1989	14,258,390	303,000	2,236,000	20,925,000	2,388,000
1990	4,332,490	423,000	21,649,051	1,087,000	3,755,000
1991	500,000	11,800,000	500,000	4,125,000	-
1992	3,700,000	1,038,000	3,216,000	2,943,204	4,399,000
1993	599,120	360,000	20,925,000	648,000	856,000
1994	500,000	985,482	800,000	(504,000)	3,500,000
1995	1,216,200	719,716	375,000	393,540	950,000
1996	13,537,160	410,000	22,461,000	1,721,000	2,000,000
1997	7,754,433	4,847,000	4,500,000	2,272,000	1,100,000
1998	241,000	670,000	5,700,000	451,115	1,695,000
1999	1,150,000	225,000	(1,462,990)	1,350,000	11,850,000
2000	51,032,154	1,030,000	2,350,000	2,094,855	20,504,148
2001	55,750	14,500,000	89,000,000	4,192,000	(200,433)
2002	56,390,000	1,050,000	1,800,000	1,909,000	2,015,763
2003	2,446,303	2,970,474	2,400,000	20,165,489	51,714,373
2004	2,902,500	13,135,000	2,100,000	2,720,857	2,290,000
2005	7,851,307	2,549,776	3,400,000	7,630,000	2,500,000
2006	3,200,000	1,200,000	6,418,517	4,398,182	11,866,911
2007	49,152,183	9,445,152	48,390,000	4,844,369	61,914,307
2008	2,629,903	1,500,000	6,730,000	3,497,011	22,546,376
2009	2,225,676	1,310,979	3,145,000	3,826,107	4,466,929
2010	2,020,000	506,768	2,760,000	2,050,000	4,760,000
2011	1,974,006	877,465	7,798,666	5,383,077	3,065,994
Subtotal	238,887,231	77,131,506	334,394,734	169,154,354	249,164,917
Est. 2012	3,167,540	784,960	3,149,400	1,710,600	1,700,000
Est. 2013	-	-	-	-	-
Est. 2014	-	-	-	-	-
TOTAL \$	242,054,771	77,916,466	337,544,134	170,864,954	250,864,917

As of 12.01.2011

Note: Estimates for FY 2012 include projects approved through August 2011.

## APPENDIX D – ANALYSIS OF PERMANENT UNIVERSITY FUND BONDS ISSUED AND ALLOCATIONS (CONTINUED)

FISCAL YEAR	ALLOCATIONS				TOTAL ALL INSTITUTIONS
	UTHSC SAN ANTONIO	UTMDA CANCER CENTER	UTHSC TYLER		
1932-1981	\$ -	12,052,125	-		336,753,923
1982	-	-	-		40,620,823
1983	-	-	-		86,600,207
1984	-	-	-		8,412,660
1985	-	-	-		6,112,387
1986	3,372,711	2,520,000	821,000		163,072,087
1987	19,556,053	-	440,000		30,086,426
1988	3,873,813	2,997,040	592,349		96,552,887
1989	13,363,927	5,923,000	1,150,000		88,591,862
1990	9,440,399	(1,410,000)	1,490,000		75,306,203
1991	2,943,417	-	-		60,480,876
1992	2,261,582	963,000	3,200,200		55,827,542
1993	30,000	29,452	917,000		14,292,568
1994	(124,160)	545,000	5,730,000		9,913,133
1995	(823,000)	414,000	603,000		25,247,380
1996	(61,917)	556,555	746,628		54,855,348
1997	11,140,200	2,133,315	2,093,650		60,618,547
1998	6,200,000	-	502,500		35,390,778
1999	(519,000)	1,263,000	1,350,000		23,818,010
2000	10,699,712	32,097,915	3,720,000		171,223,783
2001	16,000,000	(128)	2,370,000		146,366,805
2002	16,520,290	1,219,349	1,999,022		182,544,211
2003	8,700,000	2,051,048	805,472		128,122,428
2004	2,800,000	403,000	2,284,531		60,861,152
2005	4,520,000	1,897,485	1,850,000		103,249,218
2006	590,000	3,070,000	2,000,000		88,405,920
2007	53,899,588	5,839,000	2,355,476		360,314,466
2008	12,503,197	33,400,000	2,150,000		213,019,822
2009	14,649,981	4,873,560	11,994,995		183,681,651
2010	2,108,100	4,559,997	1,260,000		138,481,571
2011	5,436,151	8,105,373	2,118,070		116,488,191
Subtotal	219,081,044	125,503,086	54,543,893		3,165,312,866
Est. 2012	14,675,000	1,650,000	3,150,000		200,708,327
Est. 2013	-	-	-		-
Est. 2014	-	-	-		-
TOTAL	\$ 233,756,044	127,153,087	57,693,893		3,366,021,193

As of 12.01.2011

Note: Estimates for FY 2012-14 include projects approved through August 2011.

**APPENDIX E – ANALYSIS OF ESTIMATED PERMANENT UNIVERSITY FUND BOND DEBT SERVICE**

INSTITUTION	FISCAL YEAR				
	FY10	FY11	FY12	FY13	FY14
SYSTEM ADMINISTRATION	\$ 6,080,962	4,331,325	5,173,961	7,538,639	8,752,055
ARLINGTON	8,396,976	6,278,278	7,499,683	10,927,294	12,686,147
AUSTIN	17,683,850	12,848,167	15,347,710	22,362,140	25,961,541
DALLAS	10,975,395	9,631,838	11,505,661	16,764,141	19,462,491
EL PASO	9,868,729	7,333,234	8,759,875	12,763,438	14,817,836
PERMIAN BASIN	2,144,880	1,603,877	1,915,903	2,791,536	3,240,860
SAN ANTONIO	11,272,028	8,310,999	9,927,859	14,465,230	16,793,547
TYLER	3,787,766	2,341,489	2,797,013	4,075,343	4,731,309
SOUTHWESTERN	12,150,516	9,185,841	10,972,897	15,987,885	18,561,289
MB GALVESTON	3,810,584	2,838,948	3,391,250	4,941,167	5,736,495
HSC HOUSTON	11,363,299	8,439,652	10,081,541	14,689,150	17,053,509
HSC SAN ANTONIO	8,841,925	6,569,892	7,848,029	11,434,846	13,275,394
MDA CANCER CENTER	5,134,021	4,082,596	4,876,843	7,105,727	8,249,462
HSC TYLER	2,578,419	1,972,683	2,356,458	3,433,439	3,986,084
	\$ 114,089,350	85,768,819	102,454,683	149,279,975	173,308,019

As of 12.01.2011

Note: This schedule includes estimated allocations of PUF bond debt service paid by the AUF. In reality, the debt is not serviced by individual institutional allocations, but as a Systemwide total. The allocation is based on a rolling 20-year average of PUF appropriations received by each institution.

**APPENDIX F – U. T. SYSTEM ADMINISTRATION APPLICATION OF AVAILABLE UNIVERSITY FUND**

The University of Texas System Administration depends on funding from the AUF for needs such as major repairs and rehabilitation, equipment, maintenance and operation, salaries, and support for units that provide assistance to the U. T. System Board of Regents and the U. T. institutions.

The categories of spending from the AUF are shown in *Table 4* and are explained further in the following sections.

**INSTITUTIONAL SUPPORT**

Rider No. 5 to the U. T. System Administration appropriation in Senate Bill 1, 81<sup>st</sup> Legislature, Regular Session, provided an additional \$1,218,606 of general revenue (before the reductions implemented by House Bill 4, 82<sup>nd</sup> Legislature, R.S.) to support U. T. System Administration contingent upon a like reduction in AUF used for System office operations. The FY 2011 actual uses of AUF for administration by U. T. System Administration comply with the provisions of this rider.

**Office of the Board of Regents.** This budget item supports operations of the staff, travel, meeting arrangements, and other expenses associated with the activities of the U. T. System Board of Regents.

**System Operations.** The U. T. System Administration is the central administrative office providing leadership and administrative support for the fifteen institutions of the U. T. System. Among the areas requiring more specialized expertise, which can be more efficiently provided by a central administrative unit, are compliance management, internal audit, legal counsel, intellectual property protection, governmental relations, policy planning and development for academic and health-related programs, and various business operation support activities. The business operations include financial reporting, historically underutilized businesses program, budget, finance, human resources, employee benefits, security, planning, and construction of facilities, information resources, and real estate. U. T. System also provides support for the development programs of the institutions.

U. T. System Administration – Uses of AUF		
	FY 2011 (Actual)	FY 2012 (Budget)
<b>Institutional Support</b>		
Board of Regents	\$ 1,340,850	\$ 1,495,003
System Operations	24,894,892	25,870,745
Staff Benefits	4,820,049	5,260,000
<b>Total Administration</b>	<b>\$ 31,055,791</b>	<b>\$ 32,625,748</b>
Distance Ed Services	\$ 344,838	\$ -
Systemwide Initiatives	\$ 85,930,000	\$ 99,888,650

**APPENDIX F – U. T. SYSTEM ADMINISTRATION APPLICATION OF AVAILABLE UNIVERSITY FUND (CONTINUED)**

**Staff Benefits.** Matching and employer contributions for social security, retirement, unemployment compensation insurance, workers' compensation insurance, longevity pay, accrued vacation and sick leave, and premium sharing payments are available for U. T. System Administration staff members whose salaries are paid from the AUF.

*DISTANCE EDUCATION SERVICES*

The U. T. System Administration maintains an office that supports campus efforts by serving as a central clearinghouse for innovations, implementing start-up programs, and assisting with distance education marketing and recruitment efforts. The U. T. System has also begun a new Bachelor's Completion Program (BAC) to be offered entirely online from U. T. Arlington, U. T. El Paso and U. T. Permian Basin. The BAC will allow former college students who didn't graduate a chance to complete their bachelor's degrees in a fast-track format.

*SYSTEMWIDE INITIATIVES*

The U. T. System Board of Regents has approved various other Systemwide initiatives that are further discussed on pages 8-10.

**APPENDIX G – U. T. AUSTIN APPLICATION OF AVAILABLE UNIVERSITY FUND—FY 2011 ACTUAL AND FY 2012 BUDGETED**

	Actual FY 2011	Budget FY 2012
<b>EXCELLENCE IN MISSION</b>		
<b>INSTRUCTIONAL EXCELLENCE</b>		
Enhanced Academic Programs	\$ 13,027,040	\$ 54,229,310
Instructional Program Services	2,355,909	2,388,004
Instructional Initiatives and Programs	3,825,677	5,579,509
Academic Infrastructure (Libraries, Instructional Technology)	28,262,745	28,983,387
Student Programs and Services	4,885,423	4,598,975
<b>RESEARCH EXCELLENCE</b>		
Research Competitiveness	23,371,813	21,043,778
<b>OUTREACH EXCELLENCE</b>		
Academic Program/Community Interface	4,396,279	3,912,904
<b>TOTAL</b>	<b>80,124,886</b>	<b>120,735,867</b>
<b>RECRUITMENT AND RETENTION OF TALENT</b>		
Faculty	8,437,881	11,872,967
K-12 Outreach and Undergraduate Students	14,483,399	14,627,135
Graduate Students	34,045,522	34,841,642
<b>TOTAL</b>	<b>56,966,802</b>	<b>61,341,744</b>
<b>INSTITUTIONAL ACCOUNTABILITY AND ENHANCED CONNECTIONS TO THE PUBLIC</b>	<b>21,851,959</b>	<b>21,645,295</b>
<b>REGENTS' OUTSTANDING TEACHERS AWARDS</b>	<b>946,000</b>	<b>-</b>
<b>SYSTEMWIDE TECHNOLOGY AND TELECOMMUNICATIONS FUND</b>	<b>5,931,043</b>	<b>1,837,094</b>
<b>TOTAL</b>	<b>\$165,820,690</b>	<b>\$205,560,000</b>

**APPENDIX G – U. T. AUSTIN APPLICATION OF AUF - FY 2011 ACTUAL AND FY 2012 BUDGETED (CONTINUED)****EXPLANATION OF AUF EXPENDITURES SHOWN ON PAGE 22**

The mission of U. T. Austin is to achieve excellence in the interrelated areas of undergraduate education, graduate education, research and public service. All sources of funds (appropriated, AUF, tuition, grants and gifts) are expended to this end.

According to Article 7, Section 18 of the *Texas Constitution*, a portion of the AUF may be appropriated for the support and maintenance of U. T. Austin. Over the years, AUF appropriations have provided the margin of excellence that permits U. T. Austin to achieve and maintain its place as one of the premier public institution of higher education in the nation. As State general revenue appropriations are reduced, the AUF is also being used more as a general source of basic support and maintenance. The margin of excellence and operations support of U. T. Austin is described below:

**EXCELLENCE IN MISSION:***INSTRUCTIONAL EXCELLENCE*

**Enhanced Academic Programs.** Academic initiatives at the college and departmental level enhanced by the AUF include curriculum innovation, development of new degree programs, interdisciplinary program planning and coordination, honors programs, internship programs, academic technology and facility support, K-12 and community outreach activities, and continuing education.

**Instructional Program Services.** These services include college computing services, instructional and technology enhanced teaching support, provision of web-based student-faculty communication platforms, teaching effectiveness services, credit by examination, new and experienced faculty training, assessment methods, student course-instructor evaluations, the U. T. Elementary School, and coordination of University-wide K-12 activities.

**Instructional Initiatives and Programs.** The School of Undergraduate Studies was developed to enhance the education for all undergraduates through core curriculum, advising, learning communities, signature courses, interdisciplinary programs, and research. Other instructional initiatives and programs include providing students with visiting lecturers, and specialized centers for bilingual education, education technology, science education, clinical legal, pharmacy and nursing experiences, student education field experience, fine arts productions, and the master teacher institute.

**APPENDIX G – U. T. AUSTIN APPLICATION OF AUF - FY 2011 ACTUAL AND FY 2012 BUDGETED (CONTINUED)**

**Academic Infrastructure (Libraries and Instructional Technology).** Instructional technology services include providing access to computing, voice and data networks, internet, and email. Library services include access to comprehensive print and digital resources supporting all disciplines, and access to specialized collections within the Humanities Research Center, the Benson Latin American Collection, and the Law Library.

**Student Programs and Services.** These services encompass new student orientation, welcoming and mentoring programs, student organizations, campus and community involvement, Greek life, services for students with disabilities, student governance, judicial services, volunteer and service learning, the University Honors Center, the International Office, and study abroad programs.

**RESEARCH EXCELLENCE**

**Research Competitiveness.** Support is provided for the critical research infrastructure required for faculty to be competitive for federal, state, and private sector research grant funding, to meet the ever increasing regulatory and compliance requirements associated with this external funding, to provide specialized services for areas such as animal care and high performance computing, to support the U. T. Press, and to help support research centers and institutes targeting areas critical to the economic development of Texas and the nation. Also included is the Center for Technology Commercialization which works to accelerate commercialization and new venture activities by providing dedicated specialists to structure start-up ventures, negotiate licenses, and increase other transactions relating to university inventions.

**OUTREACH EXCELLENCE**

**Academic Program/Community Interface.** These programs help define and characterize the role of a flagship institution within the larger community and include such units as: Performing Arts Center, Blanton Museum, Texas Memorial Museum, and Winedale Historical Center.

**RECRUITMENT AND RETENTION OF TALENT:****FACULTY**

The faculty development program and the recruitment and start-up package funds have enabled U. T. Austin to add new faculty positions each year to lower the student/faculty ratio. Lowering this ratio has improved undergraduate educational programs, which is a major institutional goal for this decade. Steady progress has

**APPENDIX G – U. T. AUSTIN APPLICATION OF AUF - FY 2011 ACTUAL AND FY 2012 BUDGETED (CONTINUED)**

been made annually. However, due to budget constraints in fiscal years 2011 and 2012, funds were not available to add new faculty positions.

***K-12 OUTREACH AND UNDERGRADUATE STUDENTS***

The University Outreach centers provide an intensive college preparatory program for under-represented students beginning in eighth grade and continuing through high school. The purpose is to increase the number of educationally disadvantaged students who graduate from Texas high schools prepared to matriculate and be successful in Texas colleges and universities. Funds for various admission, scholarship and retention programs (Gateway, Multicultural Engagement Center, etc.) help ensure the quality and diversity of students.

***GRADUATE STUDENTS***

The intellectual and research accomplishments of U. T. Austin depend critically on its ability to recruit and retain the very best graduate students from across the nation. These funds provide the scholarships, fellowships and infrastructure support necessary for U. T. Austin to compete with its peer institutions for these excellent students.

**INSTITUTIONAL ACCOUNTABILITY AND ENHANCED CONNECTION TO THE PUBLIC:**

Institutional accountability programs and offices are dedicated to providing support services for excellence in teaching, research, and public service. Development efforts expand private support by presenting evidence of the University's distinctive character, valuable service, and efficient management. Public Affairs has leadership responsibility for the institution's interaction with the media and with the public at large. The Office of Information Management and Analysis provides information and analytical support to university decision makers and submits numerous reports to the Texas Higher Education Coordinating Board and the Department of Education. University Operations is dedicated to enhancing the development and delivery of most supporting services for on-campus clients, including public and environmental safety and the integrity of the physical infrastructure of the campus. Project Information Quest uses business intelligence tools to provide critical information to U. T. Austin decision makers.

**APPENDIX G – U. T. AUSTIN APPLICATION OF AUF - FY 2011 ACTUAL AND FY 2012 BUDGETED (CONTINUED)****REGENTS' OUTSTANDING TEACHER AWARDS:**

The awards program recognizes tenured, tenure-track and other instructional faculty for outstanding teaching, personal commitment to students and the learning process, and the ability to inspire and motivate students in the classroom. The program provides a framework that fosters excellence in teaching at all levels, rewards outstanding teachers, stimulates innovation in education, and promotes continuous quality improvement in education. The program requires a demonstration of sustained excellence in teaching, instructional development and curricular design, and advising and mentoring. Funding received is transferred from U. T. System Administration based on awards made. The U. T. System Board of Regents has allocated funding for this program through FY 2017.

**SYSTEMWIDE TECHNOLOGY AND TELECOMMUNICATIONS FUND:**

The U. T. System Office of Telecommunication Services and the Network Bandwidth were established by the U. T. System Board of Regents to provide all U. T. System institutions with inter-institutional voice, video, and computer communications in support of the missions of instruction and research. At the request of U. T. System, these services are managed by U. T. Austin and therefore appear in U. T. Austin's budget.