

THE UNIVERSITY OF TEXAS SYSTEM



AVAILABLE UNIVERSITY FUND

**Report to the Legislature and Governor
Pursuant to Rider No. 4 to Available University Fund Appropriations
SB 1, 79th Legislature, Regular Session, Page III-58**

December 2005

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**THE UNIVERSITY OF TEXAS SYSTEM
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A. RIDER NO. 4 TO AVAILABLE UNIVERSITY FUND APPROPRIATION

The text of Rider No. 4 to the Available University Fund Appropriation in Senate Bill 1, 79th 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:

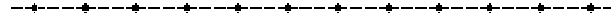
- (1) debt service allocations, by component;
- (2) bond proceeds allocations, by component;
- (3) excellence allocations, by component or system office, and their purposes;
- (4) Available University Fund income, interest, beginning- and end-of-year balances; and
- (5) the rationale used by the respective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

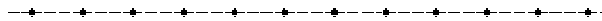
1. RATIONALE FOR DISTRIBUTION FROM PERMANENT UNIVERSITY FUND

The Texas Constitution, as amended in November 1999 by adoption of Proposition 17, 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. Also, 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 distribution must be sufficient to meet annual debt service requirements on PUF bonds and notes.

The Board of Directors of the University of Texas Investment Management Company (UTIMCO) recommended, and the U. T. System Board of Regents approved, total distributions of \$341,174,270 and \$357,337,255 from the PUF to the AUF for the fiscal years ending August 31, 2005 and 2006, respectively. The fiscal year 2006 distribution is equal to 4.75% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 28, 2005, as illustrated in Appendix A. The distribution rate of 4.75% satisfies the limitations in the Constitution.

The PUF distribution for fiscal year 2006 represents a 4.7% increase over the distribution for fiscal year 2005. Money credited to the AUF is administered by the State Comptroller and, along with other funds of the State, is invested in accordance with State law.



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Table 1

THE UNIVERSITY OF TEXAS SYSTEM AVAILABLE UNIVERSITY FUND FY 2004 – FY 2008		
	Actual FY 2004	Actual FY 2005
Income and PUF Distributions		
Divisible with Texas A&M University		
Investment Income and Distributions	\$ 348,033,578	\$ 341,174,270
Surface & Other Income	<u>7,576,307</u>	<u>8,332,900</u>
Net Divisible Income and Distributions	355,609,885	349,507,170
Less: A&M Share (1/3)	<u>(118,536,628)</u>	<u>(116,502,390)</u>
U. T. Share (2/3)	237,073,257	233,004,780
AUF Interest Income	<u>3,019,018</u>	<u>5,106,927</u>
Income and Distributions Available to U. T.	<u>240,092,275</u>	<u>238,111,707</u>
Transfers/Expenditures		
Debt Service on PUF Bonds	(131,617,008)	(79,996,795)
U. T. System Administration:		
Administration	(29,322,819)	(26,534,654)
Distance Education	(2,036,435)	(1,842,959)
U. T. Austin:		
Excellence	(108,300,000)	(105,275,000)
System-Wide Technology & Telecommunications	(1,060,000)	(1,060,000)
Building Revenue Bond Reimbursement	<u>(3,427,856)</u>	<u>--</u>
Total Transfers	<u>(275,764,118)</u>	<u>(214,709,408)</u>
Net Surplus/(Deficit)	<u>\$ (35,671,843)</u>	<u>\$ 23,402,299</u>
<p>Note: FY 2006 Budget and FY 2007-8 Projections are subject to change due to market conditions and unforeseen emergencies or opportunities.</p> <p>Source: U. T. System Administration Financial Statements, Annual Operating Budget, and projections from the U. T. System Office of Finance.</p>		

As of 12/01/2005

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Table 1 (Continued)

Budgeted FY 2006	Projected FY 2007	Projected FY 2008
\$ 357,337,255 <u>7,032,000</u>	\$ 400,266,514 <u>7,032,000</u>	\$ 441,044,867 <u>7,032,000</u>
364,369,255 <u>(121,456,418)</u>	407,298,514 <u>(135,766,171)</u>	448,076,867 <u>(149,358,956)</u>
242,912,837 <u>4,686,000</u> <u>247,598,837</u>	271,532,343 <u>5,216,000</u> <u>276,748,343</u>	298,717,911 <u>4,884,000</u> <u>303,601,911</u>
(104,544,655)	(117,684,524)	(126,529,167)
(27,688,660) (2,006,481)	(28,519,320) (2,066,675)	(29,374,900) (2,128,675)
(111,420,000) (1,060,000)	(138,375,000) (1,060,000)	(151,805,000) (1,060,000)
<u> --</u>	<u> --</u>	<u> --</u>
<u>(246,719,796)</u>	<u>(287,705,519)</u>	<u>(310,897,742)</u>
<u>\$ 879,041</u>	<u>\$ (10,957,176)</u>	<u>\$ (7,295,831)</u>

As of 12/01/2005

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**2. USES OF THE AVAILABLE
UNIVERSITY FUND BY THE 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 funds for U. T. Austin, and 4) to fund special U. T. System initiatives such as the U. T. System's Telecommunication Services.

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 the U. T. System Administration and 13 of the System's 15 institutions. U. T. System institutions that are eligible for PUF funding, as specified in the Constitution, are:

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

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

Capital improvement needs of the institutions are extensively evaluated every two years 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 the U. T. System Board of Regents' AUF Spending Policy (see Appendix C for a discussion of the AUF Spending Policy).

The first call on the 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 as well as projected appropriations through FY 2008. 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 2004 through FY 2008.

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.

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EXCELLENCE FUNDS – U. T. AUSTIN

Pursuant to the terms of the Constitution, U. T. Austin is the only U. T. System institution that is eligible to receive resources from the Available University Fund for academic excellence (program enrichment) purposes. According to the U. T. System Board of Regents' Spending Policy, 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.

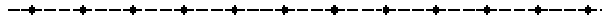
U. T. Austin depends on academic excellence funds from the AUF for needs such as library enhancement; enhancement of academic department operations; specialized science, engineering, and computing equipment; scholarships and fellowships; and support of special units. These special units conduct research, 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.

SYSTEM-WIDE TELECOMMUNICATION SERVICES AND OTHER SYSTEM-WIDE INITIATIVES

The U. T. System Board of Regents has established the U. T. System Office of Telecommunication Services to provide institutions with inter-institutional voice, video, and computer communications in support of their missions of instruction and research.

This budget appears as a Special Item in U. T. Austin's budget; however, it is a System-wide initiative.



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2005 AVAILABLE UNIVERSITY FUND REPORT**

**3. THE U. T. SYSTEM
ENDING AUF FUND BALANCES**

As of August 31, 2005, the AUF cash balance in the State Treasury as reflected on the Annual Financial Report was \$138,189,252. This balance does not include receivables of \$388,973 or payables of \$68,856,470. The payables include \$44,073,203 due to U. T. Austin; \$24,641,010 due to other U. T. System Administration fund groups; and \$142,257 of other obligations. After considering the receivables and payables, the AUF fund balance is \$69,721,755. Over the next few years, existing commitments are expected to cause the AUF fund balance to approach the minimum adopted by the U. T. System Board of Regents.

With a \$11.0 billion original cost investment in physical plant for the 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 the U. T. System Board of Regents would repair or replace less than 1% of the facilities. In the event of any negative variance between projected income and actual income of 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, 2005, the unexpended fund balance resulting from transfers from the AUF was \$10,412,871.

In addition to the fund balance held by U. T. System Administration, U. T. Austin also maintains a minimal fund balance to meet emergency needs. As of August 31, 2005, U. T. Austin had an ending fund balance as reflected in its Annual Financial Report of \$27,559,943. This balance includes reservations for encumbrances and prepaid expenses of \$6,268,162. Net of reservations, the AUF fund balance at U. T. Austin is \$21,291,781 at August 31, 2005.

Table 2 presents a reconciliation of U. T. System Administration AUF cash held in the State Treasury with fund balances for fiscal year 2004 and fiscal year 2005:

Reconciliation of U. T. System AUF Cash		
	At Aug. 31, 2004 (Actual)	At Aug. 31, 2005 (Actual)
Cash in Treasury	\$ 111,592,097	\$ 138,189,252
Receivables	184,369	388,973
Sub-total	111,776,466	138,578,225
Payables	(65,456,280)	(68,856,470)
AUF Balance	\$ 46,320,186	\$ 69,721,755
Source: 2005 and 2004 U. T. System Annual Financial Reports		





Appendices

THE UNIVERSITY OF TEXAS SYSTEM
2005 AVAILABLE UNIVERSITY FUND REPORT



Appendix A

PUF Market Value and Distribution to the AUF

The Board of Directors of UTIMCO recommended, and the U. T. System Board of Regents approved, a distribution of \$357,337,255 from the PUF to the AUF for the fiscal year ending August 31, 2006. This distribution is equal to 4.75% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 28, 2005.

Permanent University Fund Market Value		Table 3
May 2002	7,303,322,636	
August 2002	6,738,274,515	
November 2002	6,397,124,818	
February 2003	6,299,971,921	
May 2003	6,850,946,583	
August 2003	7,244,827,576	
November 2003	7,655,088,067	
February 2004	8,218,934,425	
May 2004	7,997,992,228	
August 2004	8,087,877,617	
November 2004	8,648,150,213	
February 2005	8,832,164,283	
12-quarter average	\$ 7,522,889,574	
	X 4.75%	
Distribution to the AUF, FY 2006	\$ 357,337,255	





Appendix B

**Capital Improvement Program
General Policies**

In appropriating funds from the AUF or from PUF bond proceeds for capital projects, the U. T. System Board of Regents reviews each project with respect to the following criteria:

The first priority for funding will be given to the maintenance of existing facilities, prevention of deterioration, addressing any life-safety issues, and new construction projects.

While these general priorities will shape appropriations, the specific merits

of an individual project will ultimately determine whether a project is funded. It is presumed that preventive and routine maintenance, equipment replacement and upgrades, and library acquisitions are to be funded through the Annual Operating Budget. In addition, contribution to the mission of the U. T. System and to the mission of the institution is considered.

Each institution maintains a long-range Capital Renewal Plan.





Appendix C

Board of Regents' AUF Spending Policy

The Board originally adopted an AUF spending policy in 1993. The policy was adopted in light of the reduction in PUF financing for capital projects resulting from reduced PUF income projections.

The policy established procedures for the approval of PUF-funded projects, criteria for project selection, minimum debt service coverage, and a minimum reserve balance. The policy specifies that:

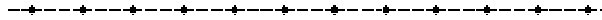
- 1) The forecasted AUF expenditures for program enrichment at U. T. Austin must not be less than 45% of the projected U. T. System share of the net divisible AUF annual income,
- 2) Debt service coverage must not be less than 1.5 times the annual debt service (amended April 2000), and
- 3) The forecasted 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.

On November 15, 2005, Moody's affirmed the Aaa rating and stated "The stable outlook for the System's ... Permanent University Fund debt reflects the System's strong credit fundamentals, sound debt and treasury management, good debt service coverage from pledged revenues, and sizeable, but manageable additional borrowing plans."

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



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Appendix D

**THE UNIVERSITY OF TEXAS SYSTEM
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
1932-1979 \$	234,500,000	6,979,174		131,437,821		38,634,812	
1980	26,000,000	(25,392)		11,946,421		6,775,563	
1981	43,000,000	(8,512)		18,287,879		7,502,280	
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
Subtotal	1,969,500,000	91,214,499	134,661,130	479,797,850	161,955,259	159,572,195	24,676,612
Est. 2006		57,207,998	3,700,000	4,445,000	10,000,000	3,336,000	974,000
TOTAL \$	1,969,500,000	148,422,497	138,361,130	484,242,850	171,955,259	162,908,195	25,650,612

As of: 12/01/2005

Note: Estimates for FY 2006-8 include projects approved through November 2005. \$54.7 million of the estimated FY06 allocation to U. T. System relates to the various academic and health initiatives and will be allocated to eligible U. T. institutions during FY06.

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Appendix D – Continued

**THE UNIVERSITY OF TEXAS SYSTEM
ANALYSIS OF PERMANENT UNIVERSITY FUND BONDS ISSUED AND
ALLOCATIONS**

FISCAL YEAR	ALLOCATIONS				
	UT SAN ANTONIO	UT TYLER	UT SWMC DALLAS	UTMB GALVESTON	UTHSC HOUSTON
1932-1979 \$			35,339,050	42,007,519	6,292,106
1980			276,482	(144,000)	
1981			14,823,595	4,577,000	
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
Subtotal	177,685,463	62,291,142	259,152,551	145,155,608	140,544,400
Est. 2006	2,900,000	1,200,000	2,655,000	1,900,000	1,900,000
TOTAL \$	180,585,463	63,491,142	261,807,551	147,055,608	142,444,400

As of: 12/01/2005

Note: Estimates for FY 2006-8 include projects approved through November 2005.

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Appendix D – Continued

**THE UNIVERSITY OF TEXAS SYSTEM
ANALYSIS OF PERMANENT UNIVERSITY FUND BONDS ISSUED AND
ALLOCATIONS**

ALLOCATIONS				
FISCAL YEAR	UTHSC SAN ANTONIO	UTMDA CANCER CENTER	UTHC TYLER	TOTAL ALL INSTITUTIONS
1932-1979		12,052,125		272,742,607
1980				18,829,074
1981				45,182,242
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
Subtotal	129,894,027	65,655,156	32,665,352	2,064,921,244
Est. 2006	2,090,000	1,900,000	2,000,000	96,207,998
TOTAL \$	131,984,027	67,555,156	34,665,352	2,161,129,242

As of: 12/01/2005

Note: Estimates for FY 2006-8 include projects approved through November 2005.

**THE UNIVERSITY OF TEXAS SYSTEM
2005 AVAILABLE UNIVERSITY FUND REPORT**



Appendix E

**THE UNIVERSITY OF TEXAS SYSTEM
ANALYSIS OF ESTIMATED PERMANENT UNIVERSITY FUND
BOND DEBT SERVICE BY INSTITUTION**

INSTITUTION	FISCAL YEAR				
	2004	2005	2006	2007	2008
SYSTEM ADMINISTRATION	\$ 5,372,037	4,266,346	5,517,480	6,210,954	6,677,741
ARLINGTON	11,194,729	6,797,509	8,874,126	9,989,485	10,740,250
AUSTIN	18,927,869	11,286,159	14,734,044	16,585,917	17,832,440
DALLAS	13,098,756	8,175,280	10,672,800	12,014,229	12,917,164
EL PASO	6,794,206	4,335,149	5,659,523	6,370,849	6,849,654
PERMIAN BASIN	2,020,424	1,245,642	1,626,181	1,830,570	1,968,148
SAN ANTONIO	15,009,264	8,969,319	11,709,415	13,181,133	14,171,768
TYLER	5,279,703	3,144,372	4,104,966	4,620,906	4,968,193
SWMC DALLAS	17,698,857	10,280,865	13,421,635	15,108,555	16,244,047
MB GALVESTON	6,846,107	4,297,751	5,610,699	6,315,889	6,790,563
HSC HOUSTON	11,002,132	6,410,397	8,368,752	9,420,592	10,128,602
HSC SAN ANTONIO	11,080,056	6,556,873	8,559,975	9,635,850	10,360,037
MDA CANCER CENTER	4,569,530	2,705,808	3,532,423	3,976,401	4,275,250
HC TYLER	2,723,338	1,648,902	2,152,636	2,423,194	2,605,310
	<u>\$ 131,617,008</u>	<u>80,080,372</u>	<u>104,544,655</u>	<u>117,684,524</u>	<u>126,529,167</u>

As of: 12/01/2005

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



Appendix F

**The University of Texas System Administration
Application of Available University Fund**

The University of Texas System Administration depends on funding from the Available University Fund for needs such as major repairs and rehabilitation, equipment, maintenance and operation, salaries, and support for units that provide assistance to the 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

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 Board of Regents.

System Operations. The U. T. System Administration is the central administrative office providing leadership and administrative support for the 15 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. The System also provides support for the development programs of the institutions.

Table 4		
U. T. System Administration – AUF Uses		
	FY 2005 (Actual)	FY 2006 (Budget)
Institutional Support		
Board of Regents	\$ 497,108	\$ 689,473
System Operations	22,296,929	22,725,057
Staff Benefits	3,740,617	4,274,130
Total Administration	\$ 26,534,654	\$ 27,688,660
Distance Education Services	\$ 1,842,959	\$ 2,006,481

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 System Administration staff members whose salaries are paid from the Available University Fund.

Distance Education Services

The UT TeleCampus is under the direction of the Executive Vice Chancellor for Academic Affairs and is the support center for distance education and online degrees from The University of Texas System and its 15 institutions. TeleCampus-based courses and degree programs can be completed entirely at a distance and meet all of the same criteria as the onsite equivalent.

THE UNIVERSITY OF TEXAS SYSTEM
2005 AVAILABLE UNIVERSITY FUND REPORT



Appendix G

**The University of Texas at Austin
Application of Available University Fund
Actual Fiscal Year 2005 and Budget Fiscal Year 2006**

	<u>Actual FY 2005</u>	<u>Budget FY 2006</u>
EXCELLENCE IN MISSION		
INSTRUCTIONAL EXCELLENCE		
Enhanced Academic Programs	\$ 12,289,347	\$ 5,709,768
Instructional Program Services	2,376,728	2,215,184
Instructional Initiatives and Programs	1,570,865	1,619,438
Academic Infrastructure (Libraries, Instructional Technology)	20,680,649	22,692,813
Student Programs and Services	2,969,499	3,108,861
RESEARCH EXCELLENCE		
Research Competitiveness	14,519,930	16,156,889
OUTREACH EXCELLENCE		
Academic Program/Community Interface	4,478,921	4,610,642
TOTAL	<u>58,885,939</u>	<u>56,113,595</u>
RECRUITMENT AND RETENTION OF TALENT		
Faculty	7,821,164	6,598,714
K-12 Outreach and Undergraduate Students	14,190,653	14,054,416
Graduate Students	5,727,754	20,015,888
TOTAL	<u>27,739,571</u>	<u>40,669,018</u>
INSTITUTIONAL ACCOUNTABILITY AND ENHANCED CONNECTIONS TO THE PUBLIC	11,995,395	13,870,369
SYSTEM-WIDE TECHNOLOGY AND TELECOMMUNICATIONS FUND	1,679,099	1,827,018
TOTAL	<u><u>\$ 100,300,004</u></u>	<u><u>\$ 112,480,000</u></u>

Appendix G – Continued

EXPLANATION OF AUF EXPENDITURES
SHOWN ON PAGE 20

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, and coordination of University-wide K-12 activities.

Instructional Initiatives and Programs. These initiatives include providing students with visiting lectures, 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.

Academic Infrastructure (Libraries, 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 and volunteer and service learning, the University Honors Center, 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.

Appendix G - Continued

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: KUT Radio, 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 will enable U. T. Austin to add 300 new faculty positions over a ten year period to lower the student/faculty ratio. Lowering this ratio will improve undergraduate educational programs and will increase institutional adaptability, which are major institutional goals for this decade. Steady progress must be made annually to achieve these goals.

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 scholarship and retention programs (Gateway, National merit scholarships, Multicultural Information Center, etc.) help ensure the quality and diversity of students.

GRADUATE STUDENTS

The intellectual and research accomplishments of the University depend critically on our 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 Institutional Research 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. Employee and Campus Services 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.

Appendix G - Continued

**SYSTEM-WIDE 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 institutions with inter-institutional voice, video, and computer communications in support of the missions of instruction and research. These services appear in U. T. Austin's budget at the request of U. T. System.

