

THE UNIVERSITY OF TEXAS SYSTEM



AVAILABLE UNIVERSITY FUND

**Report to the Legislature and Governor
Pursuant to Rider No. 4 to Available University Fund Appropriations
HB 1, 80th Legislature, Regular Session, Page III-61**

December 2007

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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 House Bill 1, 80th 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 \$400,685,603 and \$448,942,761 from the PUF to the AUF for the fiscal years ending August 31, 2007 and 2008, respectively. The fiscal year 2008 distribution is equal to 4.75% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 28, 2007, as illustrated in Appendix A. The distribution rate of 4.75% satisfies the limitations in the Constitution.

The PUF distribution for fiscal year 2008 represents a 12.0% increase over the distribution for fiscal year 2007. 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 2006 – FY 2010		
	Actual FY 2006	Actual FY 2007
Income and PUF Distributions		
Divisible with Texas A&M University		
Investment Income and Distributions	\$ 357,337,255	\$ 400,685,603
Surface & Other Income	<u>11,443,895</u>	<u>13,973,847</u>
Net Divisible Income and Distributions	368,781,150	414,659,450
Less: A&M Share (1/3)	<u>(122,927,049)</u>	<u>(138,219,817)</u>
U. T. Share (2/3)	245,854,100	276,439,633
AUF Interest Income	<u>9,839,399</u>	<u>11,539,420</u>
Income and Distributions Available to U. T.	<u>255,693,500</u>	<u>287,979,053</u>
Transfers/Expenditures		
Debt Service on PUF Bonds	(90,618,147)	(91,926,193)
U. T. System Administration:		
Administration	(27,771,959)	(29,882,657)
Distance Education	(1,923,182)	(2,118,677)
U. T. Austin:		
Excellence	(111,420,000)	(126,500,000)
Capital Projects	-	(21,945,000)
System-Wide Technology & Telecommunications	<u>(1,060,000)</u>	<u>(1,060,000)</u>
Total Transfers/Expenditures	<u>(232,793,288)</u>	<u>(273,432,527)</u>
Net Surplus/(Deficit)	<u>\$ 22,900,212</u>	<u>\$ 14,546,526</u>
<p>Note: FY 2008 Budget and FY 2009-10 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>		

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Table 1 (Continued)

Budgeted FY 2008	Projected FY 2009	Projected FY 2010
\$ 448,942,761 <u>11,040,000</u>	\$ 504,039,155 <u>11,065,000</u>	\$ 552,677,173 <u>11,090,000</u>
459,982,761 <u>(153,327,587)</u>	515,104,155 <u>(171,701,385)</u>	563,767,173 <u>(187,922,391)</u>
306,655,174 <u>10,100,000</u>	343,402,770 <u>9,378,000</u>	375,844,782 <u>10,408,000</u>
<u>316,755,174</u>	<u>352,780,770</u>	<u>386,252,782</u>
(110,435,788)	(140,052,790)	(170,824,023)
(32,318,728) (1,921,721)	(33,932,331) (2,017,669)	(35,631,306) (2,118,694)
(142,540,000)	(158,755,000)	(173,815,000)
- <u>(1,060,000)</u>	- <u>(1,060,000)</u>	- <u>(1,060,000)</u>
<u>288,276,237</u>	<u>(335,817,790)</u>	<u>(383,449,023)</u>
<u>\$ 28,478,937</u>	<u>\$ 16,962,980</u>	<u>\$ 2,803,759</u>

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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 2010. 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 2006 through FY 2010.

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.

CAPITAL PROJECTS – U. T. AUSTIN

During FY 2007, the Board of Regents made an award of \$5 million to U. T. Austin to assist in recruiting and equipping world-class research staff to operate the new Sun Constellation supercomputer in the Texas Advanced Computing Center. Additionally,

the Board of Regents awarded \$15 million for faculty start-up and recruitment related to the Dell Pediatric Research Institute, a new center that will conduct translational research in pediatrics.

Also during FY 2007, the Board provided \$1,945,000 in support for The University of Texas Elementary School principally to purchase the existing campus along with an adjacent parcel of land. The U. T. Elementary School, operated by U. T. Austin, is part of a broad initiative of the U. T. System aimed at enhancing the quality of education in Texas by strengthening teacher preparation programs, creating high-quality instructional tools, pursuing an aggressive educational research agenda, and creating models of excellence.

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

As of August 31, 2007, the AUF cash balance in the State Treasury as reflected on the Annual Financial Report was \$199,168,703. This balance does not include receivables of \$887,489 or payables of \$92,887,699. The payables include \$69,272,828 due to U. T. Austin; \$23,141,131 due to other U. T. System Administration fund groups; and \$473,740 of other obligations. After considering the receivables and payables, the AUF fund balance is \$107,168,493. Over the next few years, existing and future commitments may cause the AUF fund balance to approach the minimum adopted by the U. T. System Board of Regents.

With a \$13.1 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, 2007, the unexpended fund balance resulting from transfers from the AUF was \$8,883,591.

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, 2007, U. T. Austin had an ending fund balance as reflected in its Annual Financial Report of \$31,278,542. This balance includes reservations for encumbrances and prepaid expenses of \$4,560,692. Net of reservations, the AUF fund balance at U. T. Austin is \$26,717,850 at August 31, 2007.

Table 2 presents a reconciliation of U. T. System Administration AUF cash held in the State Treasury with fund balances for fiscal year 2006 and fiscal year 2007:

Reconciliation of U. T. System AUF Cash		
	At Aug. 31, 2006 (Actual)	At Aug. 31, 2007 (Actual)
Cash in Treasury	\$160,766,268	\$199,168,703
Receivables	665,863	887,489
Sub-total	161,432,131	200,056,192
Payables	(68,810,164)	(92,887,699)
AUF Balance	\$ 92,621,967	\$ 107,168,493
Source: 2007 and 2006 U. T. System Annual Financial Reports		





Appendices

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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 \$448,942,761 from the PUF to the AUF for the fiscal year ending August 31, 2008. This distribution is equal to 4.75% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 28, 2007.

Permanent University Fund Market Value		Table 3
May 2004	\$ 7,997,992,228	
August 2004	8,087,877,617	
November 2004	8,648,150,213	
February 2005	8,832,164,283	
May 2005	8,899,839,516	
August 2005	9,426,742,792	
November 2005	9,564,640,080	
February 2006	9,798,633,228	
May 2006	10,028,861,545	
August 2006	10,313,393,571	
November 2006	10,760,220,191	
February 2007	11,058,603,363	
12-quarter average	\$ 9,451,426,552	
	X 4.75%	
Distribution to the AUF, FY 2008	\$ 448,942,761	





Appendix B

**Capital Improvement Program
General Policies**

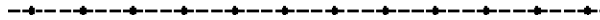
In appropriating funds from the AUF or from PUF bond proceeds for capital projects, the U. T. System Board of Regents reviews each project with respect to the following criteria:

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 October 19, 2007, Moody's affirmed the Aaa rated and stating that "The stable outlook on the PUF related debt is based on continued strong debt service coverage, a growing PUF corpus, manageable projected borrowing plan, and favorable debt and investment management oversight."

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
1932-1980 \$	260,500,000	6,953,782	-	143,384,242	-	45,410,375	-
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
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
Subtotal	2,169,500,000	129,399,459	146,686,159	554,821,795	190,692,619	181,632,354	28,781,860
Est. 2008	-	31,938,202	3,332,857	36,250,250	8,701,979	18,784,047	879,000
Est. 2009	-	-	29,617,143	6,740,287	7,872,527	33,534,355	-
Est. 2010	-	-	-	15,020,606	14,583,483	35,934,800	1,263,555
TOTAL \$	2,169,500,000	161,337,661	179,636,159	612,832,938	221,850,608	269,885,556	30,924,415

As of: 12/01/2007

Note: Estimates for FY 2008-10 include projects approved through November 2007. Of the estimated FY08 allocation to U. T. System, \$25.8 million relates to various academic and health initiatives and will be allocated to eligible U. T. institutions during FY08.

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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
1932-1980 \$	-	-	35,615,532	41,863,519	6,292,106
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
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
Subtotal	230,037,646	72,936,294	313,961,068	154,398,159	214,325,618
Est. 2008	6,345,537	800,000	1,900,000	20,018,445	3,462,625
Est. 2009	13,031,682	-	3,625,254	296,385	2,090,426
Est. 2010	3,380,075	-	38,374,746	2,305,349	46,887,789
TOTAL \$	252,794,940	73,736,294	357,861,068	177,018,338	266,766,458

As of: 12/01/2007

Note: Estimates for FY 2008-10 include projects approved through November 2007.

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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
1932-1980 \$	-	12,052,125	-	291,571,681
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
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
Subtotal	184,383,615	74,564,156	37,020,828	2,513,641,630
Est. 2008	6,650,093	4,300,000	2,328,394	145,691,429
Est. 2009	10,424,200	-	42,429	107,274,688
Est. 2010	17,649,542	25,142,856	-	200,542,801
TOTAL \$	219,107,450	104,007,012	39,391,651	2,967,150,548

As of: 12/01/2007

Note: Estimates for FY 2008-10 include projects approved through November 2007.

**THE UNIVERSITY OF TEXAS SYSTEM
2007 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				
	FY06	FY07	FY08	FY09	FY10
SYSTEM ADMINISTRATION	\$ 4,657,773	5,037,555	6,051,881	7,674,893	9,361,156
ARLINGTON	5,781,438	5,065,133	6,085,011	7,716,909	9,412,404
AUSTIN	11,245,712	12,667,431	15,218,051	19,299,273	23,539,550
DALLAS	10,575,138	9,008,767	10,822,706	13,725,173	16,740,754
EL PASO	4,884,318	4,927,244	5,919,358	7,506,830	9,156,168
PERMIAN BASIN	1,440,829	1,342,122	1,612,362	2,044,771	2,494,031
SAN ANTONIO	10,674,818	11,260,959	13,528,383	17,156,467	20,925,943
TYLER	3,543,170	3,401,269	4,086,124	5,181,953	6,320,489
SWMC DALLAS	12,305,943	12,639,851	15,184,919	19,257,259	23,488,303
MB GALVESTON	4,983,998	4,292,953	5,157,351	6,540,465	7,977,482
HSC HOUSTON	7,630,048	9,440,820	11,341,754	14,383,422	17,543,627
HSC SAN ANTONIO	7,620,986	8,061,927	9,685,218	12,282,630	14,981,267
MDA CANCER CENTER	3,244,130	2,996,794	3,600,206	4,565,721	5,568,863
HC TYLER	2,029,846	1,783,368	2,142,454	2,717,024	3,313,986
	<u>\$ 90,618,147</u>	<u>91,926,193</u>	<u>110,435,778</u>	<u>140,052,790</u>	<u>170,824,023</u>

As of: 12/01/2007

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, the 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 2007 (Actual)	FY 2008 (Budget)
Institutional Support		
Board of Regents	\$ 943,220	\$ 1,097,116
System Operations	24,580,586	26,299,646
Staff Benefits	4,358,851	4,921,966
Total Administration	\$ 29,882,657	\$ 32,318,728
Distance Education Services	\$ 2,118,677	\$ 1,921,721

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 AUF.

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
2007 AVAILABLE UNIVERSITY FUND REPORT



Appendix G

The University of Texas at Austin
Application of Available University Fund
Actual Fiscal Year 2007 and Budget Fiscal Year 2008

	Actual FY 2007	Budget FY 2008
EXCELLENCE IN MISSION		
INSTRUCTIONAL EXCELLENCE		
Enhanced Academic Programs	\$ 6,608,161	\$ 6,474,147
Instructional Program Services	2,595,851	2,380,074
Instructional Initiatives and Programs	1,833,984	4,186,852
Academic Infrastructure (Libraries, Instructional Technology)	22,393,079	34,750,430
Student Programs and Services	3,601,651	3,523,460
RESEARCH EXCELLENCE		
Research Competitiveness	16,660,180	23,376,423
OUTREACH EXCELLENCE		
Academic Program/Community Interface	4,642,170	4,645,495
TOTAL	58,335,076	79,336,881
RECRUITMENT AND RETENTION OF TALENT		
Faculty	6,964,996	5,677,227
K-12 Outreach and Undergraduate Students	16,081,616	15,093,328
Graduate Students	22,710,970	25,677,566
TOTAL	45,757,582	46,448,121
INSTITUTIONAL ACCOUNTABILITY AND ENHANCED CONNECTIONS TO THE PUBLIC	13,914,556	15,941,971
SYSTEM-WIDE TECHNOLOGY AND TELECOMMUNICATIONS FUND	1,855,297	1,873,026
TOTAL	\$119,862,511	\$143,600,000

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 and Administrative Technology). Instructional and administrative 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 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 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 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.

