

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 2008

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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:

Board to clearly indicate the nature and extent of investments made of the fund and all income realized from the components of the fund.

“Reporting.

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

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



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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 \$448,942,761 and \$530,932,622 from the PUF to the AUF for the fiscal years ending August 31, 2008 and 2009, respectively. The U. T. System Board of Regents has established a Regents' Rule relating to uses of the AUF. The AUF consists of distributions from the PUF and are set 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 distribution rate becomes 5.00%. For fiscal year 2009, the distribution rate was 5.00%, as illustrated in Appendix A, and satisfies the limitations in the 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.



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Table 1

THE UNIVERSITY OF TEXAS SYSTEM AVAILABLE UNIVERSITY FUND FY 2007 – FY 2011		
	Actual FY 2007	Actual FY 2008
Income and PUF Distributions		
Divisible with Texas A&M University		
Investment Income and Distributions	\$ 400,685,603	\$ 448,942,761
Surface & Other Income	<u>13,973,847</u>	<u>15,122,875</u>
Net Divisible Income and Distributions	414,659,450	464,065,636
Less: A&M Share (1/3)	<u>(138,219,817)</u>	<u>(154,688,545)</u>
U. T. Share (2/3)	276,439,633	309,377,091
AUF Interest Income	<u>11,539,420</u>	<u>11,266,537</u>
Income and Distributions Available to U. T.	<u>287,979,053</u>	<u>320,643,628</u>
Transfers/Expenditures		
Debt Service on PUF Bonds	(91,926,193)	(98,848,710)
U. T. System Administration:		
Administration	(29,882,657)	(32,361,984)
Distance Education	(2,118,677)	(1,878,465)
System-Wide Initiatives	-	(24,492,435)
Capital Projects	-	(7,505,000)
U. T. Austin:		
Excellence	(126,500,000)	(142,540,000)
Capital Expenditures	(21,945,000)	(10,000,000)
Regents' Outstanding Teachers Awards	-	-
Center for Technology Commercialization	-	-
Sandia Research Partnerships	-	(1,250,000)
System-Wide Technology & Telecommunications	<u>(1,060,000)</u>	<u>(1,060,000)</u>
Total Transfers/Expenditures	<u>(273,432,527)</u>	<u>(319,936,594)</u>
Net Surplus/(Deficit)	<u>\$ 14,546,526</u>	<u>\$ 707,034</u>

Note: FY 2009 Budget and FY 2010-11 Projections are 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.

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Table 1 (Continued)

Budgeted FY 2009	Projected FY 2010	Projected FY 2011
\$ 530,932,622	\$ 522,699,439	\$ 508,147,302
<u>13,155,000</u>	<u>13,155,000</u>	<u>13,155,000</u>
544,087,622	535,854,439	521,302,302
<u>(181,362,541)</u>	<u>(178,618,146)</u>	<u>(173,767,434)</u>
362,725,081	357,236,293	347,534,868
<u>4,552,000</u>	<u>5,052,000</u>	<u>8,028,000</u>
<u>367,277,081</u>	<u>362,288,293</u>	<u>355,562,868</u>
(103,971,804)	(146,032,710)	(133,990,675)
(33,367,392)	(33,367,392)	(33,367,392)
(1,470,010)	(1,020,010)	(570,010)
-	-	-
-	-	-
(165,275,000)	(163,030,000)	(160,005,000)
-	-	-
(1,000,000)	(1,000,000)	(1,000,000)
(1,000,000)	(1,000,000)	(1,000,000)
-	-	-
<u>(1,060,000)</u>	<u>(1,060,000)</u>	<u>(1,060,000)</u>
<u>(307,144,206)</u>	<u>(346,510,112)</u>	<u>(330,993,077)</u>
<u>\$ 60,132,875</u>	<u>\$ 15,778,181</u>	<u>\$ 24,569,791</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 Science 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' Rule on "Uses of the AUF" (see Appendix C for a discussion of this rule).

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 2011. 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 2007 through FY 2011.

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' Rule "Uses of AUF", 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 2008, the U. T. System Board of Regents awarded an additional \$10 million for faculty start-up and recruitment related to the Dell Pediatric Research Institute, a new center that will conduct translational research in pediatrics. This supplements a previous award made in FY 2007.

OTHER PROJECTS – U. T. AUSTIN

An award of \$1,250,000 was appropriated to U. T. Austin in FY 2008 to support four core

research programs for collaborative "grand challenge" projects to be completed jointly by students and faculty at U. T. Austin and Sandia National Laboratories.

The U. T. System Board of Regents approved, beginning in FY 2009, \$1 million per year for the next five years for each of two programs: An undergraduate teaching excellence award program that will be offered to faculty who will be evaluated on sustained excellence in teaching, instructional development, curricular design and advising and mentoring and; a commercialization program which effectively establishes the Center for Technology Commercialization at U. T. Austin aimed at accelerating the transfer of university discoveries into commercial products and increasing the number of start-up companies.

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, 2008, the AUF cash balance in the State Treasury as reflected in the annual financial report was \$232,610,129. This balance does not include receivables of \$637,222 or payables of \$125,371,825. The payables include \$87,125,067 due to U. T. Austin; \$38,054,564 due to other U. T. System Administration fund groups; and \$192,195 of other obligations. After considering the receivables and payables, the AUF net assets are \$107,875,526. 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 \$14.7 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, 2008, the unexpended net assets resulting from

transfers from the AUF were \$7,371,618 for system-wide initiatives and \$8,376,230 for core administration.

In addition to the funds held by U. T. System Administration, U. T. Austin also maintains minimal AUF net assets to meet emergency needs. As of August 31, 2008, U. T. Austin had ending net assets as reflected in its annual financial report of \$46,578,514. This balance includes reservations for encumbrances and prepaid expenses of \$4,555,241. Net of reservations, the AUF net assets at U. T. Austin are \$42,023,273 at August 31, 2008.

Table 2 presents a reconciliation of U. T. System Administration AUF cash held in the State Treasury with fund balances for fiscal year 2007 and fiscal year 2008:

Table 2		
Reconciliation of U. T. System AUF Cash		
	At Aug. 31, 2007 (Actual)	At Aug. 31, 2008 (Actual)
Cash in Treasury	\$199,168,703	\$ 232,610,129
Receivables	887,489	637,222
Sub-total	200,056,192	233,247,351
Payables	(92,887,699)	(125,371,825)
AUF Balance	\$ 107,168,493	\$ 107,875,526
Source: 2007 and 2008 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 \$530,932,622 from the PUF to the AUF for the fiscal year ending August 31, 2009. This distribution is equal to 5.00% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 29, 2008.

Table 3	
Permanent University Fund Market Value	
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
May 2007	11,763,605,335
August 2007	11,742,780,402
November 2007	12,160,738,716
February 2008	11,905,770,605
12-quarter average	\$ 10,618,652,445
	X 5.00%
Distribution to the AUF, FY 2009	\$ 530,932,622





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 System-wide 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 are considered:

In evaluating the assignment of AUF or PUF funding to a project, the following justification criteria are considered:

- (a) consistency with institutions' mission;
- (b) project need;
- (c) unique opportunity;
- (d) matching funds/leverage;
- (e) cost effectiveness;
- (f) state of existing facility condition, and;
- (g) other available funding sources.





Appendix C

Board of Regents' Rule "Uses of the Available University Fund"

The U. T. System Board of Regents finalized a policy on the uses of the AUF in 2004 by creating a Regents' Rule that was later amended in August 2008.

The Regents' Rule 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,
- 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.

On October 17, 2008, Moody's affirmed the Aaa rating and stated that "Our stable outlook on the long-term rating of the PUF- related debt is based on continued strong debt service coverage, manageable projected borrowing plans, 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
1932-1981 \$	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
Subtotal	2,469,500,000	113,982,081	191,072,266	620,427,169	219,217,619	185,717,586	29,660,860
Est. 2009	-	35,995,799	10,142,813	9,648,965	20,702,784	21,656,282	13,330,000
Est. 2010	-	-	24,376,789	16,141,916	32,839,926	36,370,447	19,212,772
Est. 2011	-	-	32,075,923	55,014,996	23,225,119	23,300,102	12,500,000
TOTAL \$	2,469,500,000	149,977,880	257,667,791	701,233,046	295,985,448	267,044,417	74,703,632

As of: 12/01/2008

Note: Estimates for FY 2009-11 include projects approved through August 2008. Of the estimated FY09 allocation to U. T. System, \$33.3 million relates to various academic and health initiatives and will be allocated to eligible U. T. institutions during FY09.

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Appendix D – Continued

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

ALLOCATIONS					
FISCAL YEAR	UT SAN ANTONIO	UT TYLER	UT SWMC DALLAS	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
Subtotal	232,667,549	74,436,294	320,691,068	157,895,170	236,871,994
Est. 2009	6,011,311	16,505,135	1,975,000	6,599,418	6,517,746
Est. 2010	13,041,308	2,247,785	3,625,254	12,873,677	16,648,994
Est. 2011	4,339,180	341,995	38,374,746	19,179,536	42,451,006
TOTAL \$	256,059,348	93,531,209	364,666,068	196,547,801	302,489,740

As of: 12/01/2008

Note: Estimates for FY 2009-11 include projects approved through August 2008.

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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	UTHSC TYLER	TOTAL ALL INSTITUTIONS
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
Subtotal	196,886,812	107,964,156	39,170,828	2,726,661,452
Est. 2009	10,602,769	4,615,000	2,315,160	166,618,182
Est. 2010	21,678,931	25,135,029	-	224,192,828
Est. 2011	28,350,458	4,864,971	-	284,018,032
TOTAL \$	257,518,970	142,579,156	41,485,988	3,401,490,494

As of: 12/01/2008

Note: Estimates for FY 2009-11 include projects approved through August 2008.

**THE UNIVERSITY OF TEXAS SYSTEM
2008 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				
	FY07	FY08	FY09	FY10	FY11
SYSTEM ADMINISTRATION	\$ 5,037,555	5,416,909	5,697,655	8,002,593	7,342,689
ARLINGTON	5,065,133	5,446,564	5,728,846	8,046,402	7,382,886
AUSTIN	12,667,431	13,621,351	14,327,315	20,123,306	18,463,915
DALLAS	9,008,767	9,687,174	10,189,237	14,311,206	13,131,086
EL PASO	4,927,244	5,298,291	5,572,889	7,827,353	7,181,900
PERMIAN BASIN	1,342,122	1,443,191	1,517,988	2,132,078	1,956,264
SAN ANTONIO	11,260,959	12,108,967	12,736,546	17,889,007	16,413,858
TYLER	3,401,269	3,657,402	3,846,957	5,403,210	4,957,655
SWMC DALLAS	12,639,851	13,591,698	14,296,123	20,079,498	18,423,718
MB GALVESTON	4,292,953	4,616,235	4,855,483	6,819,728	6,257,365
HSC HOUSTON	9,440,820	10,151,763	10,677,904	14,997,559	13,760,842
HSC SAN ANTONIO	8,061,927	8,669,032	9,118,327	12,807,069	11,750,982
MDA CANCER CENTER	2,996,794	3,222,468	3,389,481	4,760,666	4,368,096
HSC TYLER	1,783,368	1,917,665	2,017,053	2,833,035	2,599,419
	<u>\$ 91,926,193</u>	<u>98,848,710</u>	<u>103,971,804</u>	<u>146,032,710</u>	<u>133,990,675</u>

As of: 12/01/2008

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.

THE UNIVERSITY OF TEXAS SYSTEM
2008 AVAILABLE UNIVERSITY FUND REPORT



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 2008 (Actual)	FY 2009 (Budget)
Institutional Support		
Board of Regents	\$ 1,036,054	\$ 1,180,075
System Operations	27,093,969	27,265,351
Staff Benefits	4,231,961	4,921,966
Total Administration	\$ 32,361,984	\$ 33,367,392
Distance Education Services	\$ 1,878,465	\$ 1,470,010
System-wide Initiatives	\$ 24,492,435	-
Capital Projects	\$ 7,505,000	-

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 U. T. 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 U. T. System is creating a new business model that expands the governance of the U. T. TeleCampus, improves System-wide decision making, and eliminates its financial dependence on the AUF. A shared services model is being created to include an executive

Appendix F – Continued

committee from among the stakeholders within the U. T. System. The executive committee, with input from U. T. TeleCampus leaders, will restructure the financial plan and identify new revenue-generating opportunities. With more formal involvement in U. T. TeleCampus operations, the campuses will be instrumental in helping to streamline the U. T. TeleCampus' activities towards the goals of a centralized, coordinated and cost-effective program.

SYSTEM-WIDE INITIATIVES AND CAPITAL PROJECTS

The U.T. System Board of Regents approved funding for several initiatives including system-wide software licenses, a time and effort electronic certification system and a study for evaluating appropriate land use by U. T. Austin.

In addition, funding was allocated to replace a 26-year old System airplane and for other U. T. System Administration complex repairs, renovations and upgrades.



**THE UNIVERSITY OF TEXAS SYSTEM
2008 AVAILABLE UNIVERSITY FUND REPORT**



Appendix G

**The University of Texas at Austin
Application of Available University Fund
Actual Fiscal Year 2008 and Budget Fiscal Year 2009**

	<u>Actual FY 2008</u>	<u>Budget FY 2009</u>
EXCELLENCE IN MISSION		
INSTRUCTIONAL EXCELLENCE		
Enhanced Academic Programs	\$ 5,665,902	\$ 8,662,164
Instructional Program Services	2,686,524	2,176,607
Instructional Initiatives and Programs	1,775,576	8,368,174
Academic Infrastructure (Libraries, Instructional Technology)	33,468,710	40,396,013
Student Programs and Services	3,838,216	7,635,621
RESEARCH EXCELLENCE		
Research Competitiveness	17,235,412	22,811,362
OUTREACH EXCELLENCE		
Academic Program/Community Interface	4,454,294	4,257,752
TOTAL	<u>69,124,634</u>	<u>94,307,693</u>
RECRUITMENT AND RETENTION OF TALENT		
Faculty	5,678,934	7,757,200
K-12 Outreach and Undergraduate Students	16,503,837	17,058,305
Graduate Students	25,508,327	27,827,287
TOTAL	<u>47,691,098</u>	<u>52,642,792</u>
INSTITUTIONAL ACCOUNTABILITY AND ENHANCED CONNECTIONS TO THE PUBLIC	16,019,289	17,870,846
REGENTS' OUTSTANDING TEACHERS AWARDS	-	1,000,000
CENTER FOR TECHNOLOGY COMMERCIALIZATION	-	1,000,000
SYSTEM-WIDE TECHNOLOGY AND TELECOMMUNICATIONS FUND	1,791,129	1,783,669
TOTAL	<u>\$134,626,150</u>	<u>\$168,605,000</u>

THE UNIVERSITY OF TEXAS SYSTEM
2008 AVAILABLE UNIVERSITY FUND REPORT

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. Funds for classroom renovations will also enhance the classroom experience.

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 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. 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. Project Information Quest (IQ) uses business intelligence tools to provide critical information to University decision makers.

Appendix G - Continued

REGENTS' OUTSTANDING TEACHER AWARDS

The awards program will recognize 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 will provide a framework that fosters excellence in teaching at all levels, rewards outstanding teachers, stimulates innovation in education, and promotes continuous quality improvement in education. This program will require a demonstration of sustained excellence in teaching, instructional development and curricular design, and advising and mentoring.

CENTER FOR TECHNOLOGY COMMERCIALIZATION

The proposed implementation details and organizational structure for the Center for Technology Commercialization recognize the importance of accelerating university discoveries into commercial products, increasing the number of start-up companies, and decreasing the time from an idea generation to final stage commercialization. The Center will be created to bring together the distinct and complementary capabilities and resources of the Office of Technology Commercialization and the Austin Technology Incubator. The Center will 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.

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.

