
AVAILABLE UNIVERSITY FUND REPORT

December 2012



Prepared by
The University of Texas System
Office of the Controller

Report to the Legislature and Governor
Pursuant to Rider No. 4 to Available University Fund Appropriations
HB 1, 82nd Legislature, Regular Session, Page III-59

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RIDER NO. 4 TO AVAILABLE UNIVERSITY FUND APPROPRIATION

The text of Rider No. 4 to the Available University Fund Appropriation in House Bill 1, 82nd 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.”

AVAILABLE UNIVERSITY FUND**RATIONALE FOR DISTRIBUTION FROM PERMANENT UNIVERSITY FUND**

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

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

The AUF consists of distributions from the PUF. The Board of Directors of the University of Texas Investment Management Company (UTIMCO) recommended, and the U. T. System Board of Regents approved, distributions from the PUF to the AUF for the fiscal years ending August 31, 2012 and 2013, respectively. The U. T. System Board of Regents has established a U. T. System Board of Regents' *Rules and Regulations*, [Rule 80303](#) (*Regents' Rule 80303*) on "Uses of the Available University Fund." Regent's Rule 80303 sets UTIMCO's recommended distribution at 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending in February prior to the beginning of the new fiscal year. If the average annual rate of return on PUF investments over the trailing 12 quarters exceeds the expected return by 25 basis points or more, the recommended rate is to be 5.0%. For FY 2012, the average annual return of the PUF investments for the trailing 12 quarters ending February 28, 2011, did not exceed the expected return by 25 basis points or more. Therefore, the "default" distribution rate should have been 4.75%, or \$497,032,518. However, the U. T. System Board of Regents has the authority to distribute any amount that it deems appropriate up to a maximum rate of 7%. Due to a record year of PUF royalty income, strong investment performance by UTIMCO, and the constrained State of Texas budget situation for the biennium, a distribution from the PUF to the AUF of 5.5% or \$575,511,336 for FY 2012 was approved. For FY 2013, the average annual return of the PUF

investments for the trailing 12 quarters ending February 29, 2012, exceeded the expected return by 25 basis points or more. Therefore, the “default” distribution rate should have been 5.0%, or \$565,805,253. However, based on the same extenuating circumstances as for 2012, a distribution from the PUF to the AUF of approximately 5.694% or \$644,300,000 for FY 2013 was approved. The distribution rate of 5.694% is illustrated in [Appendix A](#) and satisfies the limitations in the *Texas Constitution*.

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

Table 1

THE UNIVERSITY OF TEXAS SYSTEM AVAILABLE UNIVERSITY FUND FY 2011 – FY 2015		
	Actual FY 2011	Actual FY 2012
Income and PUF Distributions		
Divisible with Texas A&M University		
Investment Income and Distributions	\$ 506,395,811	\$ 575,511,336
Surface & Other Income	<u>16,417,250</u>	<u>23,976,978</u>
Net Divisible Income and Distributions	522,813,061	599,488,314
Less: A&M Share (1/3)	<u>(174,271,020)</u>	<u>(199,829,438)</u>
U. T. Share (2/3)	348,542,041	399,658,876
AUF Interest Income	<u>3,710,617</u>	<u>3,182,442</u>
Income and Distributions Available to U. T.	<u>352,252,658</u>	<u>402,841,318</u>
Transfers/Expenditures		
Debt Service on PUF Bonds	(85,768,819)	(98,472,451)
U. T. System Administration:		
Administration	(31,055,791)	(32,625,748)
Distance Education	(344,838)	-
Systemwide Initiatives	(81,930,000)	(104,338,700)
Regents' Outstanding Teachers Awards	(4,000,000)	-
External Audit	-	(1,016,650)
U. T. Austin:		
Excellence	(157,670,000)	(178,500,000)
Medical School	-	-
Systemwide Technology & Telecommunications	<u>(1,060,000)</u>	<u>(1,060,000)</u>
Total Transfers/Expenditures	<u>(361,829,448)</u>	<u>(416,013,549)</u>
Net Surplus/(Deficit)	(9,576,790)	(13,172,231)
Net Assets – Beginning of Year	<u>99,863,932</u>	<u>90,287,142</u>
Net Assets – End of Year	<u>\$ 90,287,142</u>	<u>\$ 77,114,911</u>

Note: FY 2013 Budget and FY 2014-15 Projections subject to change due to market conditions and unforeseen emergencies or opportunities.

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

As of 12.01.2012

Table 1 (Continued)

Budgeted FY 2013	Projected FY 2014	Projected FY 2015
\$ 644,300,000	\$ 644,300,000	\$ 638,629,043
<u>15,852,688</u>	<u>15,852,688</u>	<u>15,852,688</u>
660,152,688	660,152,688	654,481,731
<u>(220,050,896)</u>	<u>(220,050,896)</u>	<u>(218,160,577)</u>
440,101,792	440,101,792	436,321,154
<u>2,750,000</u>	<u>3,000,000</u>	<u>2,873,000</u>
<u>442,851,792</u>	<u>443,101,792</u>	<u>439,194,154</u>
(136,615,284)	(164,498,872)	(184,542,284)
(37,022,528)	(38,503,429)	(39,851,049)
-	-	-
-	-	-
-	-	-
(2,056,400)	(2,122,610)	(2,196,901)
(199,285,000)	(199,400,000)	(197,640,000)
-	(25,000,000)	(25,000,000)
<u>(1,060,000)</u>	<u>(1,060,000)</u>	<u>(1,060,000)</u>
<u>(376,039,212)</u>	<u>(430,584,911)</u>	<u>(450,290,234)</u>
66,812,580	12,516,881	(11,096,080)
<u>77,114,911</u>	<u>143,927,491</u>	<u>156,444,372</u>
<u>\$ 143,927,491</u>	<u>\$ 156,444,372</u>	<u>\$ 145,348,292</u>

As of 12.01.2012

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

The AUF is used for four primary purposes:

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

PUF Debt Service

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

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

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

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

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

The first use of AUF funds is to service the PUF-backed debt discussed above. [Appendix D](#) provides a history of the U. T. System PUF Bond Proceeds appropriated to each institution through FY 2012 as well as projected appropriations through FY 2015. 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 2011 through FY 2015.

U. T. System Administration

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

Academic Excellence Funds – U. T. Austin

Pursuant to the terms of the *Texas Constitution*, U. T. Austin is the only U. T. System institution eligible to receive resources from the AUF for academic excellence (program enrichment) purposes. According to *Regents' Rule 80303*, AUF transfers to U. T. Austin for program enrichment purposes must not be less than 45% of the projected U. T. System share of the net divisible AUF annual income and distributions. U. T. Austin received distributions for excellence pursuant to this rule as indicated on Table 1.

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.

Other Projects – U. T. Austin

At their May 3, 2012, meeting, the U. T. System Board of Regents committed an Available University Fund allocation toward the creation of a medical school at U. T. Austin. This commitment is to be equal to the greater of \$25 million annually or a 3% increase in the annual AUF distribution to U. T. Austin from 45 to 48% and is forecast to begin in 2014.

The financial commitments of the Board of Regents were contingent upon the continuation of the Seton Healthcare Family support of graduate medical education residency programs and clinical faculty positions at current or increased levels and the availability of reliable and continuing funding of \$35 million annually from

local community sources for the direct support of a medical school at U. T. Austin. On November 6, 2012, residents in the Central Health district adopted a tax increase sufficient to provide this community support.

The U. T. System Board of Regents will review the funding streams to support the medical school 10 years after its establishment consistent with their fiduciary responsibilities.

U. T. System Initiatives

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

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

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

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

- \$23 million to support Systemwide computing capabilities including completion of 10 gigabyte connectivity through the 15 campuses and the U. T. System data centers, additional high performing computing capacity and pilot projects on shared data storage in support of research. Much of this funding has ultimately been transferred to U. T. Austin to manage the efforts on behalf of U. T. System.
- \$15 million of additional funding to continue the PeopleSoft Human Resources/Finance system implementation.
- \$6 million to fund PeopleSoft transition costs at U. T. System Administration and to establish a shared business operation whereby U. T. System will provide shared services to several of the institutions participating in the PeopleSoft conversion.
- \$17.6 million for information technology costs that were normally funded by assessments collected from U. T. System institutions.

- \$10 million to create the U. T. Horizon Fund, an evergreen venture fund that will provide resources for high quality prospects with potentially strong commercial application.
- \$9 million for “Strength in Numbers,” an initiative to strategically build infrastructure, skills, programs and personnel to increase and sustain philanthropic support among U. T. institutions.
- \$1.3 million to study Systemwide information technology security.

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

- \$50 million for the Institute for Transformational Learning aimed at using technology to implement innovative education delivery models with the goal of improving learning outcomes and providing more options for students to complete their degrees on time.
- \$10 million to purchase equity interests in MyEdu with the goal of increasing graduation rates and supporting career readiness goals.
- \$6.5 million in support of the \$10 million total initiative for a Productivity and Excellence Framework including the establishment of a dashboard allowing the U. T. System to take real time snapshots of productivity measures across the system.
- \$34.87 to bolster information security compliance across the U. T. System and to secure the U. T. System Research Cyber-infrastructure.
- \$2.96 million to fund an external review at all U. T. campuses to assess the short-term and long-term computing needs in research, education and patient care.
- \$1.02 million to support the external financial audit of the U. T. System. FY 2013 and future support of the external audit costs has been and will be included in the annual operating budget of the U. T. System and is expected to be a recurring cost as reflected in Table 1.

U. T. SYSTEM ENDING AVAILABLE UNIVERSITY FUND NET ASSETS

As of August 31, 2012, the AUF cash balance in the State Treasury as reflected in the annual financial report was \$462,931,895. This balance does not include receivables of \$172,792 or payables of \$385,989,776. The payables include \$219,240,605 due to U. T. Austin; \$165,756,671 due to other U. T. System Administration fund groups; and \$992,500 of other obligations. After considering the receivables and payables, the AUF net assets are \$77,114,911.

With a \$20.6 billion original cost investment in physical plant for U. T. System (excluding U. T. Brownsville and U. T. Pan American), additional unexpected needs for repair or replacement could arise at any time. The

minimum AUF balance of \$30 million set by *Regents' Rule* 80303 would repair or replace less than 1% of the facilities. Additionally, the AUF balance serves as a financial cushion against capital market volatility, which can adversely impact future PUF distributions to the AUF. In the event of any negative variance between projected and actual distributions from the PUF or unexpected capital needs, the AUF balance would be used to support the operating expenses or to pay PUF debt service.

AUF-funded operations of U. T. System Administration are primarily accounted for in the administration's Educational and General Fund. As of August 31, 2012, the unexpended net assets resulting from transfers from the AUF and available for expenditure were \$123.1 million for Systemwide initiatives and \$10.8 million for core administration. Unexpended net assets also reflect balances associated with \$10.1 million of investment assets held as a result of Systemwide initiatives including the MyEdu project and the U. T. Horizon Fund.

In addition to the funds held by U. T. System Administration, U. T. Austin also maintains AUF net assets to meet emergency needs. As of August 31, 2012, U. T. Austin had ending net assets as reflected in its annual financial report of \$152,196,699. This balance includes reservations for encumbrances and prepaid expenses of \$4,277,447. Net of reservations, the AUF net assets at U. T. Austin are \$147,919,252 at August 31, 2012.

Table 2 presents a reconciliation of U. T. System Administration AUF cash held in the State Treasury with net assets for FY 2011 and 2012.

Reconciliation of U. T. System AUF Cash		
	At Aug. 31, 2011 (Actual)	At Aug. 31, 2012 (Actual)
Cash in Treasury	\$ 411,354,894	\$ 462,931,895
Receivables	211,431	172,792
Sub-total	411,566,324	463,104,687
Payables	(321,279,183)	(385,989,776)
AUF Net Assets	\$ 90,287,142	\$ 77,114,911

Appendices

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

The Board of Directors of UTIMCO recommended, and the U. T. System Board of Regents approved, a distribution of \$644,300,000 from the PUF to the AUF for the fiscal year ending August 31, 2013. This distribution is equal to approximately 5.694% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 29, 2012.

Table 3	
Permanent University Fund Market Value	
May 2009	\$ 9,143,803,884
August 2009	9,673,908,334
November 2009	10,341,053,437
February 2010	10,470,036,500
May 2010	10,524,153,261
August 2010	10,724,962,438
November 2010	11,619,582,822
February 2011	12,338,732,852
May 2011	12,908,189,971
August 2011	12,687,945,718
November 2011	12,389,608,519
February 2012	12,971,283,084
12-quarter average	\$11,316,105,068
	X 5.694%
Distribution to the AUF, FY 2013	\$ 644,300,000

APPENDIX B – CAPITAL IMPROVEMENT PROGRAM – GENERAL POLICIES

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

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

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

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

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

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

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

PUF Bond Ratings

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

In its August 2012 Rating Update, Moody’s Investors Service affirmed the University of Texas System’s long-term Aaa rating and stable outlook, citing UT System’s “position as one of the nation’s largest systems of higher education providing important educational, research, and health services, its robust balance sheet and sophisticated investment management, and consistently healthy operating performance”. Standard & Poor’s affirmed its AAA long-term rating in its April 2011 report, citing as rationale the absolute size of the PUF, the dedicated nature of the fund, solid annual debt service coverage of PUF bonds and notes payable from the AUF coupled with statutory limits on the issuance of additional debt secured by PUF investment earnings, and strong oversight and capable asset management by UTIMCO.

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

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

FISCAL YEAR	PUF BONDS/ VAR. RATE NOTES ISSUED	ALLOCATIONS					
		UT SYSTEM	UT ARLINGTON	UT AUSTIN	UT DALLAS	UT EL PASO	UT PERMIAN BASIN
1932-1981 \$	303,500,000	6,945,270	-	161,672,121	-	52,912,655	-
1982	-	54,108	-	2,541,532	-	20,765,183	-
1983	54,000,000	48,649	-	75,322,149	-	-	-
1984	67,000,000	130,000	-	10,833,432	-	13,478	-
1985	54,000,000	311,031	-	5,845,680	-	-	-
1986	175,000,000	20,600,250	43,361,000	47,555,060	4,267,553	9,005,067	1,617,000
1987	-	457,470	1,870,138	(3,105,558)	5,950,000	286,158	271,000
1988	25,000,000	1,271,859	6,257,482	25,914,821	23,674,180	2,888,604	493,000
1989	50,000,000	112,327	3,332,000	12,915,383	2,750,000	8,125,000	809,835
1990	165,000,000	2,830,000	12,802,500	14,351,763	2,760,000	1,270,000	525,000
1991	20,000,000	32,202,234	216,639	7,654,983	488,603	50,000	-
1992	70,000,000	7,292,184	4,595,000	7,815,000	6,298,803	4,698,569	3,407,000
1993	-	-	(582,153)	(11,500,000)	641,149	600,000	769,000
1994	40,000,000	165,348	(4,128,000)	(397,207)	557,246	552,424	1,731,000
1995	-	(18,991,942)	1,844,438	34,196,322	1,410,000	1,054,106	1,886,000
1996	25,000,000	(223,631)	3,934,989	1,246,914	5,259,774	2,806,876	460,000
1997	85,000,000	2,300,000	8,015,015	5,598,930	1,939,004	6,335,000	590,000
1998	52,000,000	5,314,606	4,241,735	5,620,000	1,689,074	2,512,000	553,748
1999	30,000,000	-	1,750,000	3,646,100	1,350,000	1,625,000	240,900
2000	70,000,000	-	5,273,646	5,037,806	31,799,347	2,470,000	3,114,200
2001	100,000,000	3,845,250	14,304,633	499,733	1,600,000	-	200,000
2002	234,000,000	(284,632)	1,900,427	43,629,994	33,990,000	19,104,998	1,300,000
2003	125,000,000	1,830,910	15,322,500	3,381,859	2,100,000	10,500,000	3,734,000
2004	100,000,000	1,752,879	2,359,600	4,266,717	19,691,465	2,994,603	1,160,000
2005	125,000,000	23,250,329	7,989,541	15,254,316	13,739,061	9,002,474	1,814,929
2006	100,000,000	14,599,048	5,199,762	11,513,900	18,726,000	4,649,600	974,000
2007	100,000,000	23,585,912	6,825,267	63,510,045	10,011,360	17,410,559	3,131,248
2008	300,000,000	(15,417,378)	44,386,107	65,605,374	28,525,000	4,085,232	879,000
2009	250,000,000	3,309,025	30,547,383	13,388,016	4,650,000	71,964,000	13,330,000
2010	260,000,000	28,297,567	1,866,735	47,924,991	19,249,413	20,600,000	518,000
2011	-	29,192,627	3,375,241	4,722,986	40,762,000	2,899,035	777,500
2012	75,000,000	(9,134,488)	2,514,353	19,892,431	6,709,390	5,242,678	2,254,700
Subtotal	3,054,500,000	165,646,813	229,375,978	706,355,592	290,588,422	286,423,299	46,541,060
Est. 2013	-	81,579,000	9,500,000	3,600,000	2,000,000	2,035,000	2,684,200
Est. 2014	-	-	-	-	-	-	-
Est. 2015	-	-	-	-	-	-	-
TOTAL \$	3,054,500,000	247,225,813	238,875,978	709,955,592	292,588,422	288,458,299	49,225,260

As of 12.01.2012

Note: Estimates for FY 2013 include projects approved through October 2012. Of the estimated FY 2013 allocation to U. T. System, \$78.9 million relates to various academic and health initiatives are expected to be allocated to eligible U. T. institutions during FY 2013.

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

FISCAL YEAR	ALLOCATIONS				
	UT SAN ANTONIO	UT TYLER	UT SWMC	UTMB GALVESTON	UTHSC HOUSTON
1932-1981 \$	-	-	50,439,127	46,440,519	6,292,106
1982	-	-	(2,650,000)	16,260,000	3,650,000
1983	-	-	10,480,000	459,409	290,000
1984	-	-	(2,784,250)	(3,100,000)	3,320,000
1985	-	-	-	(44,324)	-
1986	2,859,110	4,364,394	4,776,925	6,350,417	11,601,600
1987	1,529,000	330,000	487,165	2,005,000	10,000
1988	4,830,546	580,300	16,454,523	2,660,527	4,063,843
1989	14,258,390	303,000	2,236,000	20,925,000	2,388,000
1990	4,332,490	423,000	21,649,051	1,087,000	3,755,000
1991	500,000	11,800,000	500,000	4,125,000	-
1992	3,700,000	1,038,000	3,216,000	2,943,204	4,399,000
1993	599,120	360,000	20,925,000	648,000	856,000
1994	500,000	985,482	800,000	(504,000)	3,500,000
1995	1,216,200	719,716	375,000	393,540	950,000
1996	13,537,160	410,000	22,461,000	1,721,000	2,000,000
1997	7,754,433	4,847,000	4,500,000	2,272,000	1,100,000
1998	241,000	670,000	5,700,000	451,115	1,695,000
1999	1,150,000	225,000	(1,462,990)	1,350,000	11,850,000
2000	51,032,154	1,030,000	2,350,000	2,094,855	20,504,148
2001	55,750	14,500,000	89,000,000	4,192,000	(200,433)
2002	56,390,000	1,050,000	1,800,000	1,909,000	2,015,763
2003	2,446,303	2,970,474	2,400,000	20,165,489	51,714,373
2004	2,902,500	13,135,000	2,100,000	2,720,857	2,290,000
2005	7,851,307	2,549,776	3,400,000	7,630,000	2,500,000
2006	3,200,000	1,200,000	6,418,517	4,398,182	11,866,911
2007	49,152,183	9,445,152	48,390,000	4,844,369	61,914,307
2008	2,629,903	1,500,000	6,730,000	3,497,011	22,546,376
2009	2,225,676	1,310,979	3,145,000	3,826,107	4,466,929
2010	2,020,000	506,768	2,760,000	2,050,000	4,760,000
2011	1,974,006	877,465	7,798,666	5,383,077	3,065,994
2012	25,902,064	1,227,460	10,662,964	1,911,931	2,095,604
Subtotal	264,789,295	78,358,966	345,057,698	171,066,284	251,260,522
Est. 2013	2,000,000	5,195,800	4,623,250	1,836,750	1,800,000
Est. 2014	-	-	-	-	-
Est. 2015	-	-	-	-	-
TOTAL \$	266,789,295	83,554,766	349,680,948	172,903,034	253,060,522

As of 12.01.2012

Note: Estimates for FY 2013 include projects approved through October 2012.

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

FISCAL YEAR	ALLOCATIONS			
	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
2009	14,649,981	4,873,560	11,994,995	183,681,651
2010	2,108,100	4,559,997	1,260,000	138,481,571
2011	5,436,151	8,105,373	2,118,070	116,488,191
2012	22,768,325	5,397,958	25,853,700	123,299,071
Subtotal	241,849,369	130,901,045	80,397,593	3,288,611,936
Est. 2013	1,800,000	4,000,000	5,250,000	127,904,000
Est. 2014	-	-	-	-
Est. 2015	-	-	-	-
TOTAL	\$ 243,649,369	134,901,045	85,647,593	3,416,515,936

As of 12.01.2012

Note: Estimates for FY 2013-15 include projects approved through October 2012.

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

INSTITUTION	FISCAL YEAR				
	FY11	FY12	FY13	FY14	FY15
SYSTEM ADMINISTRATION	\$ 4,331,325	4,106,301	5,696,857	6,859,603	7,695,413
ARLINGTON	6,278,278	6,902,919	9,576,731	11,531,371	12,936,414
AUSTIN	12,848,167	14,810,256	20,546,939	24,740,630	27,755,160
DALLAS	9,631,838	10,743,344	14,904,727	17,946,827	20,133,563
EL PASO	7,333,234	8,192,908	11,366,392	13,686,306	15,353,918
PERMIAN BASIN	1,603,877	1,733,115	2,404,429	2,895,180	3,247,944
SAN ANTONIO	8,310,999	10,231,288	14,194,328	17,091,433	19,173,943
TYLER	2,341,489	2,619,367	3,633,967	4,375,670	4,908,825
SOUTHWESTERN	9,185,841	10,556,247	14,645,158	17,634,279	19,782,933
MB GALVESTON	2,838,948	3,121,577	4,330,705	5,214,614	5,849,990
HSC HOUSTON	8,439,652	9,295,799	12,896,483	15,528,694	17,420,792
HSC SAN ANTONIO	6,569,892	8,222,450	11,407,376	13,735,656	15,409,281
MDA CANCER CENTER	4,082,596	4,736,525	6,571,195	7,912,396	8,876,484
HSC TYLER	1,972,683	3,200,355	4,439,997	5,346,213	5,997,624
	\$ 85,768,819	98,472,451	136,615,284	164,498,872	184,542,284

As of 12.01.2012

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

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

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

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

INSTITUTIONAL SUPPORT

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

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

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

U. T. System Administration – Uses of AUF		
	FY 2012 (Actual)	FY 2013 (Budget)
Institutional Support		
Board of Regents	\$ 1,481,716	\$ 1,556,498
System Operations	25,358,354	29,738,298
Staff Benefits	5,104,616	5,727,731
External Audit	1,550,050	2,056,400
Total Administration	33,494,736	39,078,927
Distance Ed Services	147,662	-
Systemwide Initiatives	\$104,338,700	\$ -

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

External Audit. The U. T. System Board of Regents has engaged an external audit firm to conduct an audit of the annual financial report of the U. T. System. This cost is expected to be recurring.

DISTANCE EDUCATION SERVICES

The U. T. System Administration has begun a new Bachelor's Completion Program (BAC) to be offered entirely online from U. T. Arlington, U. T. El Paso and U. T. Permian Basin. The BAC will allow former college students who didn't graduate a chance to complete their bachelor's degrees in a fast-track format.

SYSTEMWIDE INITIATIVES

The U. T. System Board of Regents has approved various other Systemwide initiatives that are further discussed on pages 8-9.

APPENDIX G – U. T. AUSTIN APPLICATION OF AVAILABLE UNIVERSITY FUND—FY 2012 ACTUAL AND FY 2013 BUDGETED

	Actual FY 2012	Budget FY 2013
EXCELLENCE IN MISSION		
INSTRUCTIONAL EXCELLENCE		
Enhanced Academic Programs	\$ 49,254,557	\$ 26,581,932
Instructional Program Services	2,481,686	9,304,296
Instructional Initiatives and Programs	3,007,667	22,534,164
Academic Infrastructure (Libraries, Instructional Technology)	26,732,310	29,053,194
Student Programs and Services	4,830,503	4,415,668
RESEARCH EXCELLENCE		
Research Competitiveness	21,039,201	20,816,085
OUTREACH EXCELLENCE		
Academic Program/Community Interface	3,964,479	4,006,075
TOTAL	111,310,403	116,711,414
RECRUITMENT AND RETENTION OF TALENT		
Faculty	7,491,561	4,947,771
K-12 Outreach and Undergraduate Students	13,991,956	17,349,990
Graduate Students	33,888,123	34,633,614
TOTAL	55,371,640	56,931,375
INSTITUTIONAL ACCOUNTABILITY AND ENHANCED CONNECTIONS TO THE PUBLIC	23,864,033	25,809,198
REGENTS' OUTSTANDING TEACHERS AWARDS	742,500	-
SYSTEMWIDE TECHNOLOGY AND TELECOMMUNICATIONS FUND	8,557,174	1,893,013
TOTAL	\$199,845,750	\$201,345,000

APPENDIX G – U. T. AUSTIN APPLICATION OF AUF - FY 2012 ACTUAL AND FY 2013 BUDGETED (CONTINUED)**EXPLANATION OF AUF EXPENDITURES SHOWN ON PAGE 22**

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

According to Article 7, Section 18 of the *Texas Constitution*, a portion of the AUF may be appropriated for the support and maintenance of U. T. Austin. Over the years, AUF appropriations have provided the margin of excellence that permits U. T. Austin to achieve and maintain its place as one of the premier public institution of higher education in the nation. As State general revenue appropriations are reduced, the AUF is also being used more as a general source of basic support and maintenance. The Board of Regents approved an increase of \$6.6 million in excellence funding for FY 2013 and FY 2014 in lieu of tuition increases for resident undergraduate students. These funds will be dedicated to student success initiatives. The margin of excellence and operations support of U. T. Austin is described below:

EXCELLENCE IN MISSION:*INSTRUCTIONAL EXCELLENCE*

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

Instructional Program Services. These services include college computing services, instructional and technology enhanced teaching support, provision of web-based student-faculty communication platforms, teaching effectiveness services, credit by examination, new and experienced faculty training, assessment methods, student course-instructor evaluations, the U. T. Elementary School, and coordination of University-wide K-12 activities. In FY 2012 and FY 2013, Teaching Assistants for the College of Liberal Arts were moved to AUF due to budget constraints in state funding sources.

APPENDIX G – U. T. AUSTIN APPLICATION OF AUF - FY 2012 ACTUAL AND FY 2013 BUDGETED (CONTINUED)

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

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

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

RESEARCH EXCELLENCE

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

APPENDIX G – U. T. AUSTIN APPLICATION OF AUF - FY 2012 ACTUAL AND FY 2013 BUDGETED (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: Performing Arts Center, Blanton Museum, Texas Memorial Museum, and Winedale Historical Center.

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

The faculty development program and the recruitment and start-up package funds have enabled U. T. Austin to add new faculty positions each year to lower the student/faculty ratio. Lowering this ratio has improved undergraduate educational programs, which is a major institutional goal for this decade. Steady progress has been made annually. However, due to budget constraints in fiscal years 2012 and 2013, funds were not available to add new faculty positions.

K-12 OUTREACH AND UNDERGRADUATE STUDENTS

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

GRADUATE STUDENTS

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

APPENDIX G – U. T. AUSTIN APPLICATION OF AUF - FY 2012 ACTUAL AND FY 2013 BUDGETED (CONTINUED)**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 U. T. Austin's distinctive character, valuable service, and efficient management. University Communications has leadership responsibility for the institution's interaction with the media and with the public at large. The Office of the Executive Vice President and Provost serves as the chief academic officer of the university overseeing the academic programs on campus. The Office of Information Management and Analysis provides information and analytical support to university decision makers and submits numerous reports to the Texas Higher Education Coordinating Board and the Department of Education. University Operations is dedicated to enhancing the development and delivery of most supporting services for on-campus clients, including public and environmental safety and the integrity of the physical infrastructure of the campus. Project Information Quest uses business intelligence tools to provide critical information to U. T. Austin decision makers.

REGENTS' OUTSTANDING TEACHER AWARDS:

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

SYSTEMWIDE TECHNOLOGY AND TELECOMMUNICATIONS FUND:

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