

1. Title

Use of the Available University Fund

2. Rule and Regulation

Sec. 1 Impact of Spending. Any staff recommendation to appropriate funds from the Available University Fund (AUF) or from Permanent University Fund (PUF) Bond Proceeds will be presented in the context of that appropriation's impact on: (a) AUF funding for the support and maintenance of U. T. Austin, (b) bond ratings, and (c) projected AUF balances. These impacts will be considered to provide a consistent and dependable level of funding.

Sec. 2 Required Reports. To determine the appropriate level of spending of the AUF, the following reports will be provided to the Board of Regents:

2.1 A forecast of at least six years of the income and expenditures of the AUF will be presented as needed to the Board of Regents' Finance and Planning Committee. The University Lands Office shall provide to The University of Texas/Texas A&M Investment Management Company (UTIMCO) a forecast of revenue expected to be derived from PUF lands and deposited into the PUF. UTIMCO shall provide to the Office of Finance a forecast of PUF distributions to the AUF, based on expected PUF land contributions and investment returns, which will serve as the basis of the AUF forecast. Included as part of the AUF forecast will be the projected amount of remaining PUF debt capacity as calculated by the Office of Finance.

2.2 In May of each year, the Board of Regents shall determine an amount to be distributed to the AUF during the next fiscal year. Unless otherwise approved by the Board of Regents or prohibited by the Texas Constitution, the default PUF distribution shall be based on the following formula:

- (a) Increase the prior year's distribution amount by the sum of the average inflation rate (Consumer Price Index, C.P.I.) for the previous 12 quarters plus 2.65%, unless further modified pursuant to Subsections b) and c) below.
- (b) If the inflationary increase in step a) results in a distribution rate below 3.5% of the trailing 20-quarter average of the net asset value of the PUF for the quarter ending February of each year, the distribution shall be increased to 3.5%.
- (c) If the inflationary increase in step a) results in a distribution rate exceeding 6.0% of the trailing 20-quarter average of the net asset value of the PUF for the quarter ending February of each year, the distribution increase shall be capped at 6.0%.

2.3 The Capital Improvement Program (CIP) will be updated quarterly and reviewed with the Board of Regents every year. The updated CIP will include an estimated start date for each project, which will be based on the criteria set forth in Section 3.2 below, project readiness, projected fund availability, and relative urgency of need for the completed project.

Sec. 3 Individual Projects. The following items will be done when preparing requests of AUF expenditures:

- 3.1 As a part of each agenda item requesting approval of AUF expenditures or PUF funded projects, a statement indicating compliance with this policy shall be included.
- 3.2 In preparing recommendations for projects to be approved, the staff will be guided by the following justification criteria:
 - (a) consistency with institution's 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.

3.3 No project will be recommended for approval, if in any of the forecasted years the required appropriations from the AUF or PUF bond proceeds would cause:

- (a) the forecasted AUF expenditures for program enrichment at U. T. Austin to fall below 45% of the sum 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 (b) and (c) below];
- (b) debt service coverage to be less than 1.50:1.00; and
- (c) the forecasted end of year AUF balance to be less than \$50 million.

Sec. 4 System Administration Budget. Operating expenditures of the U. T. System Administration will be carefully controlled to maximize the opportunity to meet the capital needs of the institutions of the U. T. System and the operating budget needs of U. T. Austin. Wherever possible, alternate funding from institutions, State funds, or other sources will be sought. Programs for which alternative funding cannot be obtained will be evaluated for possible reductions or phase-out.

3. Definitions

None

4. Relevant Federal and State Statutes

None

5. Relevant System Policies, Procedures, and Forms

None

6. Who Should Know

Administrators

7. System Administration Office(s) Responsible for Rule

Office of Business Affairs

8. Dates Approved or Amended

May 23, 2019

Editorial amendment made May 25, 2017, per Board action on May 10, 2017

Editorial amendments to Sec. 2.1 and 2.2 made September 18, 2014

August 14, 2008

May 15, 2008 (effective July 1, 2008)

December 10, 2004

9. Contact Information

Questions or comments regarding this Rule should be directed to:

- bor@utsystem.edu