



## Uses of the Available University Fund by The University of Texas System

This issue brief describes the uses of the Available University Fund (AUF) by The University of Texas System.

### **BACKGROUND:**

The Texas Constitution (Article VII, Section 18) gives the UT System Board of Regents the authority to determine the amount distributed to the AUF from the return on investment assets of the Permanent University Fund (PUF), subject to specific constitutional restrictions. The constitution requires that the AUF be appropriated for the payment of the principal and interest due on the bonds backed by the PUF and for the support and maintenance of UT Austin and UT System Administration. “Support and maintenance” is an expansive phrase that describes funding for the university and the System Administration to function and carry out their respective responsibilities. System Administration responsibilities are provided by general law. An AUF expenditure that benefits institutions other than UT Austin qualifies as support and maintenance of UT System Administration if it reasonably furthers a responsibility of UT System Administration, such as providing oversight and coordination of institutional activities or providing services to System institutions. The AUF may not be used for routine programmatic or operating expenses of institutions other than UT Austin.

### **USES OF THE AUF:**

#### **PUF Debt Service**

Under the constitution, the first call on AUF funds is debt service on PUF bonds that provide capital improvements, equipment and library books or materials for the System’s eligible institutions and for System Administration. Capital improvement needs of the institutions are extensively evaluated on an ongoing basis and incorporated in a six-year Capital Improvement Program (CIP).

#### **UT Austin**

UT System Regents’ Rules require that no less than 45 percent of the UT System AUF share (before debt service) be allocated to UT Austin, subject to exceptions for availability of sufficient debt service and for a minimum balance. In addition to the default share for UT Austin, the UT System Board of Regents frequently allocates additional amounts to UT Austin. Over the last 20 years, the portion actually allocated to UT Austin, including debt service for PUF bond projects at UT Austin, has ranged from 48.2 percent to 73.8 percent of the total UT System AUF share. Examples of recent allocations to UT Austin beyond the 45 percent base include:

- An additional 3 percent or \$25 million a year, whichever is greater, for the UT Austin Dell School of Medicine.



- For FY 2016, \$9.3 million to provide competitive advantage in research and support faculty recruitment and retention.
- For FY 2016, \$2.0 million for the Engineer Your World Program, transforming how engineering is introduced and taught in high schools.
- For FY 2018, an increase in the allocation of AUF to UT Austin equal to 53 percent of the UT System share of AUF, which is inclusive of the additional funding commitment to UT Austin Dell Medical School.

### **UT System Administration**

The UT System Administration depends on funding from the AUF for needs such as major repairs and rehabilitation, equipment, maintenance and operation and salaries. Use of AUF to support System Administration is a constitutional design intended to reduce reliance on general revenue for System Administration, allowing the legislature to redirect general revenue to other state priorities. UT System Administration receives no general revenue support for administration of the System.

UT System Administration is the central administrative office providing leadership and administrative support for System institutions. UT System Administration adds value by undertaking certain central responsibilities that result in greater efficiency or higher quality than could be achieved by the individual institutions or that fulfills legal requirements. UT System today provides more than 30 program services to System institutions, including:

- Policy planning and development for academic and health programs
- Compliance management
- Legal counsel
- Intellectual property protection
- Governmental relations
- Development support
- Technology commercialization
- Strategic planning
- Business operation support activities, such as:
  - Facilities planning and construction
  - Controller, budget and debt financing administration
  - Workers' compensation
  - Group health
  - Malpractice liability insurance programs

Many programs are shared or collaborative services that provide oversight, coordination and technical assistance to System institutions, such as a Microsoft license and the PeopleSoft human resources/finance system, a shared library storage facility, and computing and telecommunication services.

For each of the program services, some of which are referred to as “initiatives,” the UT System Board of Regents makes a determination that each initiative is an appropriate expenditure of the AUF and the applicable constitutional standards have been met.



### Other System-wide Initiatives

The AUF is used to support various strategic priorities and initiatives that benefit System institutions and System students. Such initiatives are described in detail in an annual report on the AUF. As with program services provided by System Administration, each of the initiatives either provides a service across a broad number of institutional campuses or provides oversight and coordination of activities that benefit a broad number of campuses and the students of those campuses. Beginning in FY 2016, UT System provided advanced 30-day notification to the Legislative Budget Board prior to the Board of Regents taking action on System Initiatives as required by Rider 8 of the General Appropriations Act. Selected recent initiatives include:

- **Clinical Data Network:** For FY 2016, the Board allocated \$12.4 million to support creation of infrastructure for data collection, aggregation, and analysis across and among health institutions.
- **Virtual Health Network:** For FY 2016, the Board allocated \$10.8 million to support the implementation of a pilot telemedicine program across the UT System health institutions.
- **National Council of Science and Technology (CONACYT):** For 2016, the Board allocated \$5.0 million to support a new cooperative initiative with CONACYT in Mexico.

The most recent detailed annual AUF report can be found online at:

<https://cms.utsystem.edu/sites/default/files/documents/available-university-fund-report/Available%20University%20Funds%20Report%3A%20FY%202017/AUF%20Report%20FY%202017%20FINAL.pdf>