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

This issue brief describes the uses of the Available University Fund 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 Available University Fund (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 Plan (CIP).

UT Austin
UT System Regents’ Rules require that 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 2015, $28.3 million to offset proposed tuition increases; this funding is expected to be recurring.
- For FY 2010 through 2012, an additional $20 million a year for excellence, specifically for faculty recruitment and hiring top faculty talent.
- For FY 2010 through 2013, an additional $15 million to match external contributions on a one-to-one basis and $5 million for the Center for Technology Commercialization, aimed at accelerating the transfer of university discoveries into commercial products and increasing the number of start-up companies.
- For FY 2014, an additional $2 million for the Texas Advanced Computing Center.

In addition, UT Austin’s share of the supplemental FY 2014 distribution equals an additional $56.4 million for online and on-campus enrollment growth with excellence.
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 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
- Internal audit
- Legal counsel
- Intellectual property protection
- Governmental relations
- Development support
- Technology commercialization
- Strategic planning
- Business operation support activities, such as:
  - Facilities planning and construction
  - 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.

Each of the program services, some of which are referred to as “initiatives,” has been reviewed by the System office of the controller and by the System office of general counsel against the applicable constitutional standards to ensure that each is an appropriate expenditure of the AUF.

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 well as in recent submission for the Strategic Fiscal Review of the Texas House. 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. Selected recent initiatives include:

- **Holding the line on tuition**: Over the last four years, undergraduate resident tuition increases across System academic institutions have averaged only 2.3 percent overall or 0.7 percent annually, with no increases at UT Austin and UT Arlington. This has been accomplished largely through increasing the number of services provided by System Administration, such as internal audit, freeing up revenue at institutions. For institutions other than UT Austin, this included $8 million for FY2013 and FY2014 and $31.4 million for FY2015.
• **Transforming Educational Models**: The System created the Institute for Transformational Learning to develop innovations in education delivery models at general academic campuses, funded with $50 million in FY2012. In collaboration with the Shared Service Alliance for Distance Education, the ITL is leveraging the scale of the UT System to negotiate master service agreements that will significantly reduce campus costs for technologies and services to support online and distance education. In addition, System has worked to develop and implement pilot projects, involving both undergraduate campuses and medical schools, to revamp medical education in order to increase the number of Texas doctors, allocating $4 million in FY2010 and FY2013.

• **Serving Students**: In FY 2012, the System purchased an equity interest in MyEdu for $10 million. MyEdu provides personal advising software to each System academic institution and is customizable to the particular campus. Since the investment, the software has been expanded to assist students in finding employment and will also be expanded for use in tracking students’ success post-graduation.

• **Increasing Technology Commercialization**: The Office of Technology Commercialization supports UT System institutions in commercializing output from applied research, including skills, knowledge, technologies, data and patentable inventions. Among other activities, the office performs administrative functions for the Horizon Fund, which was funded by an allocation from the AUF of $10 million in FY2011 and $10 million in FY2013 to assist in the translation of the innovations of any System institution into practical and commercial uses.

The most recent detailed report of uses of the AUF can be found online at:  