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# AVAILABLE UNIVERSITY FUND REPORT

December 2015



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Prepared by  
The University of Texas System  
Office of the Controller

Report to the Legislature and Governor  
Pursuant to Rider No. 5 to Available University Fund Appropriation  
HB 1, 84<sup>th</sup> Legislature, Regular Session, Page III-59



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**RIDER NO. 5 TO AVAILABLE UNIVERSITY FUND APPROPRIATION**

The text of Rider No. 5 to the Available University Fund Appropriation in House Bill 1, 84<sup>th</sup> 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) including the net income attributable to the surface of PUF land. 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 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, 2015 and 2016, 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 2015, the average annual return of the PUF investments for the trailing 12 quarters ending February 28, 2014, exceeded the expected return by 25 basis points or more. Therefore, the "default" distribution rate should have been 5.0%, or \$694,138,768. 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% and elected to make a distribution of 5.5%, or \$763,552,645.

For FY 2016, the average annual returns of the PUF investments for the trailing 12 quarters ending February 28, 2015, exceeded the expected return by at least 25 basis points. The U. T. System Board of Regents approved the “default” distribution rate of 5.0%, or \$772,876,690 for FY 2015. The distribution for FY 2016 is illustrated in [Appendix A](#) and satisfies the limitations in the *Texas Constitution*.

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

Table 1

THE UNIVERSITY OF TEXAS SYSTEM AVAILABLE UNIVERSITY FUND FY 2014 – FY 2018		
	Actual FY 2014	Actual FY 2015
<b>Income and PUF Distributions</b>		
Divisible with Texas A&M University		
Investment Income and Distributions	\$ 877,373,812	\$ 763,552,645
Surface and Other Income	<u>29,827,785</u>	<u>49,601,951</u>
<b>Net Divisible Income and Distributions</b>	907,201,597	813,154,596
Less: A&M Share (1/3)	<u>(302,400,532)</u>	<u>(271,051,532)</u>
U. T. Share (2/3)	604,801,065	542,103,064
AUF Interest Income	<u>2,131,154</u>	<u>2,172,899</u>
<b>Income and Distributions Available to U. T.</b>	<u>606,932,219</u>	<u>544,275,963</u>
<b>Transfers/Expenditures</b>		
Debt Service on PUF Bonds	(164,171,468 )	(116,974,058)
U. T. System Administration:		
Administration	(39,296,867)	(47,751,481)
Operating Budget - Tuition Offset	(37,992,880)	(1,003,690)
External Audit	(2,029,009)	(1,839,360)
U. T. System Initiatives	(42,180,000)	(139,839,116)
Return of Project Funds to AUF	-	4,934,071
U. T. Austin:		
Excellence	(215,205,000)	(238,190,000)
Medical School	(17,000,000)	(25,000,000)
Systemwide Technology and Telecommunications	(1,060,000)	(1,060,000)
Other U. T. Austin Support	(9,552,268)	(4,098,800)
Return of Project Funds to AUF	-	12,087
<b>Total Transfers/Expenditures</b>	<u>(528,487,492)</u>	<u>(570,810,347)</u>
<b>Net Surplus/ (Deficit)</b>	78,444,727	(26,534,383)
<b>Net Assets – Beginning of Year</b>	<u>122,090,995</u>	<u>200,535,722</u>
<b>Net Assets – End of Year</b>	<u>\$ 200,535,722</u>	<u>\$ 174,001,339</u>
Note: FY 2016 Budget and FY 2017-18 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.		

As of 12.01.2015



Table 1 (Continued)

Budgeted FY 2016	Projected FY 2017	Projected FY 2018
\$ 772,876,690	\$ 845,029,570	\$ 848,106,054
<u>33,600,000</u>	<u>33,600,000</u>	<u>33,700,000</u>
806,476,690	878,629,570	881,806,054
<u>(268,825,563)</u>	<u>(292,876,523)</u>	<u>(293,935,351)</u>
537,651,127	585,753,047	587,870,703
<u>2,000,000</u>	<u>3,400,000</u>	<u>4,196,000</u>
<u>539,651,127</u>	<u>589,153,047</u>	<u>592,066,703</u>
(130,975,933)	(174,120,868)	(204,203,162)
(90,443,164)	(98,604,168)	(101,619,476)
-	-	-
(1,906,105)	(1,906,105)	(1,906,105)
-	-	-
-	-	-
(242,845,000)	(265,120,000)	(266,435,000)
(25,000,000)	(25,000,000)	(25,000,000)
(1,060,000)	(1,060,000)	(1,060,000)
(68,307,000)	-	-
-	-	-
<u>(560,537,202)</u>	<u>(565,811,141)</u>	<u>(600,223,743)</u>
(20,886,075)	23,341,906	(8,157,040)
<u>174,001,339</u>	<u>153,115,264</u>	<u>176,457,170</u>
<u>\$ 153,115,264</u>	<u>\$ 176,457,170</u>	<u>\$ 168,300,130</u>

As of 12.01.2015

**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 U. T. System Administration,
- (3) to provide for academic excellence and other support 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 all fourteen U. T. System 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. Rio Grande Valley	U. T. Health Science Center - Tyler
U. T. San Antonio	U. T. System Administration
U. T. Tyler	

The 83<sup>rd</sup> Legislature enacted legislation entitling The University of Texas Rio Grande Valley to participate in the PUF to the same extent as all other U. T. System institutions. Legacy institutions, U. T. Pan American and U. T. Brownsville were supported by the Higher Education Assistance Fund which funds similar capital expenditures for 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* (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 2015 as well as projected appropriations through FY 2018. While U. T. System Administration pays all PUF debt service directly from the AUF, [Appendix E](#) provides estimates of PUF debt service attributable to each institution for FY 2014 through FY 2018.

#### *U. T. System Administration*

A second use of the AUF is for support and maintenance of the U. T. System Administration including provision of an external financial statement audit for the entire System. The uses of these funds are described in [Appendix E](#).

External audit costs were included in the FY 2016 annual operating budget of the U. T. System and are expected to be recurring costs as reflected in *Table 1*.

#### *Academic Excellence Funds – U. T. Austin*

Pursuant to the terms of the *Texas Constitution*, U. T. Austin is the only U. T. System institution other than U. T. System Administration eligible to receive resources from the AUF for support and maintenance purposes. According to Regents' *Rule 80303*, AUF transfers to U. T. Austin for program enrichment (academic excellence) 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 excellence distributions based on this policy 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.

In setting recent distributions from the PUF to the AUF, the U. T. System Board of Regents took into consideration its desire to provide assistance in reducing the need for resident undergraduate tuition increases. The increased distribution for FY 2015 provides approximately \$28.2 million in additional excellence funding to U. T. Austin to offset proposed tuition increases, with this funding expected to be recurring.

*Other Support – U. T. Austin*

The U. T. System Board of Regents has committed an AUF 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%. While it was originally anticipated that the funding commitment would begin in 2014, the first allocation of \$25 million was instead split between FY 2013 and FY 2014 as shown in *Table 1* to support startup needs. *Table 1* assumes continued funding at \$25 million annually for FY 2015-18.

The financial commitments of the U. T. System 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. In November 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.

For FY 2014, the Board of Regents approved the following other AUF support to U. T. Austin:

At their November 14, 2013, meeting, the U. T. System Board of Regents allocated \$2 million for the Texas Advanced Computing Center (TACC) at U. T. Austin to provide continuation of support for TACC staff dedicated to the U. T. Research Cyberinfrastructure.

In August 2014, the U. T. System Board of Regents accepted the recommendations from the Task Force on Student Mental Health and Safety and allocated \$2,552,268 to U. T. Austin to fund after-hour crisis counseling services for five years and implementation of a Systemwide bystander intervention initiative for a three year period.

In addition, \$5 million was allocated at the same meeting to be employed through a partnership with U. T. Austin to provide Systemwide research seed funding to create the U. T. System Neuroscience and Neurotechnology Institute. The main, but not exclusive, focus of the Institute will be neurotechnology development and creation of innovative tools and techniques that will transform research in the field. Areas of special interest include, but are not limited to, imaging, neurocomputational techniques, and development of neuro-devices for research or treatment purposes, and molecular mapping.

For FY 2015, the U. T. System Board of Regents approved the following other AUF support to U. T. Austin:

- \$2.4 million over the next five years to fund direct expansion of Collegiate Education, Intervention and Recovery Programs at each of the U. T. System academic institutions.
- \$1.7 million for the Institute on Domestic Violence and Sexual Assault to administer a Systemwide biennial campus climate survey, conduct more extensive research at U. T. Austin, U. T. El Paso, and U. T. Medical Branch-Galveston, and prepare a multiyear cohort study of students at U. T. Austin and a cost analysis of sexual assault crimes.

For FY 2016, approved allocations to U. T. Austin include:

- \$56.4 million approved by the U. T. Board of Regents in FY 2014 for online and on-campus enrollment growth with excellence. Upon approval of a related plan, funding is expected to be disbursed to U. T. Austin in FY 2016.
- \$9.3 million approved in August 2015 to provide a competitive advantage to research and support faculty recruitment and retention by funding the ongoing evolution of the U. T. Research Cyberinfrastructure through expanded support for Big Health Analytics. This funding contains efforts begun at U. T. Austin TACC in FY 2011.
- \$2.6 million approved in August 2015 to increase performance of the U. T. System network to support growth in health, research and administrative computing needs. This network is managed by U. T. Austin Office of Telecommunication Services.

*U. T. System Initiatives*

The AUF is used to support operational programs at U. T. System Administration and various strategic priorities and initiatives undertaken by the U. T. System Board of Regents, all of which benefit U. T. System institutions and students. As with the many operational programs provided by U. T. 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. Each of these system initiatives has been reviewed by the U. T. System Office of the Controller and the U. T. System Office of General Counsel against the applicable constitutional standards to ensure that each is an appropriate expenditure of the AUF.

For FY 2014, the following U. T. System initiatives received AUF allocations from the U. T. System Board of Regents:

- An additional \$8 million to be expended for FY 2014 in any manner deemed permissible by law to allow U. T. academic institutions other than U. T. Austin to waive or minimize the charge of additional resident undergraduate tuition. A total of \$6.6 million was expended in FY 2014, funded by this allocation plus the carryforward of FY 2013 funds. Expenditures of \$1.0 million were made in early FY 2015 from funds carried forward. Remaining balances from the FY 2014 allocation were made available for reallocation.
- An additional \$16.44 million for support of a single instance of a PeopleSoft Human Resources/Finance system at eight academic institutions and U. T. System Administration.
- \$1.05 million for continuance of staffing related to the Information Security Compliance initiative originally approved in FY 2012. Future funding for staff was incorporated into the annual operating budget for U. T. System Administration.
- \$900,000 to support a new U. T. System Research Core Infrastructure, including implementation of a pilot project on a core to advance the study of proteomics across health institutions and the purchase of a Systemwide license for Research Core Management Software.
- \$3.23 million to support U. T. System Administration in the initial planning and development of the new university in south Texas, The University of Texas Rio Grande Valley (U. T. Rio Grande Valley).
- \$660,000 for external assessments of internal audit functions and allocation of funds.

- \$5 million to support critical communication and marketing needs to launch the new south Texas university, U. T. Rio Grande Valley. Specifically, funding will provide resources for recruiting and enrolling students for the inaugural 2015 class; building a comprehensive university and medical school web presence; creating time-sensitive and content-rich materials for print, television, radio, and digital dissemination; and engaging in brand development to fulfill the role as a bicultural, binational, and bilingual institution of the 21<sup>st</sup> century.
- \$12.1 million to be deployed over FY 2015-2017 to support initiatives of U. T. System Innovation Framework 2014 as follows: \$2.7 million over three years for implementation of a U. T. System Entrepreneurship Academy; \$5.54 million over three years for construction of a U. T. System wide Research Experts Data Warehouse with big data analytics structure; and, \$3.86 million over three years for the Texas FreshAIR program to foster collaborations between the pharmaceutical industry and U. T. System health institutions particularly in biopharmaceuticals and biomedical engineering devices.
- \$31,436,105 for U. T System Administration activities that will provide tuition offset for FY 2015 at the academic campuses other than U. T. Austin. At the direction of the U. T. System Board of Regents, U. T. System Administration identified activities currently being performed at the cost of individual campuses that could be appropriately be performed by U. T. System Administration to reduce costs to the institutions and thereby permit the reduction or elimination of proposed tuition increases. Future funding has been incorporated into the annual operating budget for U. T. System Administration.
- \$2 million to create the U. T. System Engineering, Research and Education Institute (EREI). EREI will provide best-in-class educational and research opportunities in the energy field for students and faculty from higher education institutions in Texas and will be a significant leverage to industrial member companies in noncompetitive research, development, and engineering.
- \$800,000 to expand the Office of External Relations' Center for Enhancing Philanthropy and to offer new services desired by U. T. System Institutions to improve efforts to enhance philanthropic support for funding priorities, to ensure strong development programs utilizing best practice approaches and to recruit and retain high performing professionals. Continuing funding has been incorporated into the annual operating budget for U. T. System Administration.

For FY 2015, the following system initiatives received AUF allocations:

- \$5 million to support Phase 1 of the U. T. Systemwide Diabetes Obesity Control Initiative. The goals of the initiative is to support and further U. T. System institution's ability to care for patients with or at risk for diabetes and obesity in Texas and to enhance U. T. System's research and education missions by developing novel types of access to patient big data and leveraging other U. T. System initiatives.
- A continuing allocation for FY 2015 to the Office of Technology Commercialization (OTC), not to exceed \$10 million for additional Horizon Fund investments and \$2.5 million for OTC administrative activities associated with these investments. Future OTC activities have been incorporated into the U. T. System Administration annual operating budget.
- \$68.9 million approved by the U. T. System Board of Regents in FY 2014 for the purpose of supporting online and on-campus enrollment growth with excellence at the academic campuses other than U. T Austin. Out of the allocation, \$47.9 million has been utilized to launch a personalized, competency based education program system wide aimed at learners from high school through post graduate studies. This program focuses on offering personalized and adaptive degrees and certificates that are industry aligned and via technology developed by the U. T. System, can systematically improve success, access and completion rates in areas of high employment demand. The balance of the distribution for online and on-campus enrollment of \$21.1 million and has been moved to a reserve cost center for future allocation.
- \$5 million to develop initiatives to improve the health of Texas. This funding will support the development and implementation of a sustainable population health strategic plan to identify and assess current conditions and assets, provide analytical expertise, and support collaborative efforts throughout Texas. This effort embodies the mission of academic medicine to improve health.



- \$7 million for a Shared Services spend analytics project. This proposal is part of an overall strategy that identifies future opportunities for the U. T. System health institutions to pursue and collaborate on other activities across the procure-to-pay business process. The spend analytics solution is projected to achieve incremental savings from cross-campus collaborations resulting from lower pricing achieved through greater aggregation of existing spend across campuses, and through subjecting more spend to competitive procurements, in both cases while maintaining or improving the quality of goods and services purchased.
- \$5 million to support Phase 1B of the U. T. Systemwide Diabetes Obesity Control Initiative. This phase includes the integration of data from at least two different clinical record sources, create a summary of relevant information extracted from electronic medical records and establish core training data for creating a diabetes management system. Other activities will include securing the participation of key stakeholders in South Texas and exploring the interest and participation of employers, health care players and retail businesses.
- \$15 million for Phase 2 of the U. T. Systemwide Diabetes Obesity Control Initiative. The \$15 million of AUF will serve to attract an additional \$30 million of philanthropy, grants, and industry funds, for a total of \$45 million. Phase 2 will involve product development and the scaling up of Project DOC to serve 3,000 patients in a pilot program based in Cameron County, Texas. It also provides operating funds to direct and manage this project by the newly formed Institute for Health Transformation under the direction of the U. T. System Office of Health Affairs.
- \$21.4 million for expenses associated with Systemwide (UTShare) sponsored projects data clean up and reconciliation, PeopleSoft remediation, Information Technology security review, and providing functional business processes. The initial allocation of \$1.9 million in May 2015 was complemented with a \$19.5 million allocation in August 2015.

Currently no system initiatives are reflected for FY 2016, FY 2017, and FY 2018 on *Table 1*. The tuition offset initiative, approved by the Board of Regents, that transferred certain activities and costs to U. T System Administration to reduce costs to our academic institutions to permit the reduction or elimination of proposed tuition increases was incorporated into the annual operating budget for System Administration in FY 2016.

**U. T. SYSTEM ENDING AVAILABLE UNIVERSITY FUND NET ASSETS**

As of August 31, 2015, the AUF cash balance in the State Treasury as reflected in the annual financial report was \$691,051,036. This balance does not include receivables of \$957,938 or payables of \$518,007,636. The payables include \$270,029,619 due to U. T. Austin; \$246,399,783 due to other U. T. System Administration fund groups; and \$1,578,233 of other obligations. After considering the receivables and payables, the AUF net assets are \$174,001,339. Of these net assets, \$56,400,000 has been committed by the U. T. System Board of Regents to supporting online and on-campus enrollment growth at U. T. Austin as part of the FY 2014 supplemental distribution.

The minimum AUF balance of \$30 million set by Regents' *Rule* 80303 would repair or replace less than 1% of the facilities in the event unexpected needs for repair or replacement should arise. 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 and most special initiatives are primarily accounted for in the administration's Educational and General Fund. As of August 31, 2015, the unexpended net assets resulting from transfers from the AUF and available for expenditure were \$213.5 million largely for Systemwide initiatives, excluding balances associated with \$10.9 million of investment assets held for the U. T. Horizon Fund.

In addition to the funds held by U. T. System Administration, U. T. Austin also maintains AUF net assets for future opportunities and to meet emergency needs. As of August 31, 2015, U. T. Austin had ending net assets as reflected in its annual financial report of \$219.0 million. This balance includes reservations for encumbrances and prepaid expenses of \$ 6.0 million. Net of reservations, the AUF net assets at U. T. Austin are \$213.0 million at August 31, 2015.

*Table 2* presents a reconciliation of U. T. System Administration AUF cash held in the State Treasury with net assets for FY 2014 and 2015.

Table 2		
<b>Reconciliation of U. T. System AUF Cash</b>		
	At Aug. 31, 2014 (Actual)	At Aug. 31, 2015 (Actual)
Cash in Treasury	\$ 605,216,807	\$ 691,051,036
Receivables	173,378	957,939
Sub-total	605,390,185	692,008,975
Payables	(404,854,463)	(518,007,636)
AUF Net Assets	\$ 200,535,722	\$ 174,001,339

# Appendices

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

The Board of Directors of UTIMCO recommended a distribution based on policy of 5.0% or \$772,876,690 that was approved by the U. T. System Board of Regents for FY 2016. This distribution is equal to 5.0% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 28, 2015.

<b>Table 3</b>	
<b>Permanent University Fund Market Value</b>	
May 2012	12,843,337,655
August 2012	13,470,262,684
November 2012	13,686,958,344
February 2013	14,241,921,929
May 2013	14,630,924,697
August 2013	14,852,538,510
November 2013	15,625,425,857
February 2014	16,284,907,290
May 2014	16,912,325,818
August 2014	17,364,902,520
November 2014	17,533,457,255
February 2015	18,043,442,921
12-quarter average	\$15,457,533,790
Distribution percentage	X    5.0%
Distribution to the AUF, FY 2016	\$ 772,876,690

**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 institution's 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 – U. T. SYSTEM BOARD OF REGENTS’ RULE 80303 ON “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:

“No project will be recommended for approval, if in any of the forecasted years the required appropriations from 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 \$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 July 2015 Rating Update, Moody’s Investors Service affirmed The University of Texas System’s long-term Aaa rating, stating “The Aaa rating on the PUF bonds reflects the robust security provided to bondholders, with ultimate access to the total value of the PUF. As of June 30, 2015, the PUF value is estimated at \$17.8 billion compared to \$2.2 billion of PUF debt outstanding. Healthy long-term investment performance, with a low correlation to energy prices, upside potential for revenue generation, and constitutional limitations on additional debt issuance and spending from the PUF mitigate risks associated with volatility of oil prices.” Standard & Poor’s affirmed its AAA long-term rating in its July 2015 report, citing “the absolute size of the PUF, which had an estimated market value of \$17.8 billion (excluding land assets) as of June 30, 2015; the dedicated nature of the fund, established by the state constitution in 1876 as an endowment to support The University of Texas System and Texas A&M University System; solid annual debt service coverage of PUF bonds and notes at 5.3x, 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 the University of Texas Investment Management Company.” Fitch affirmed its AAA long-term rating in its July 2015

report, stating “The PUF’s highly diversified investment holdings (\$17.3 billion market value at Aug. 31 2014, excluding land value), supported by the expertise of The University of Texas Investment Management Company, underpin the ‘AAA rating. Credit risks are minimal due to the constitutional debt limits and strong debt service coverage.”

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	PUF ALLOCATIONS					
		UT SYSTEM ADMIN	UT ARLINGTON	UT AUSTIN	UT DALLAS	UT EL PASO	UT PERMIAN BASIN
1932-1983 \$	357,500,000	7,048,027	-	239,535,802	-	73,677,838	-
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
2013	133,000,000	(10,508,449)	10,010,000	356,137	12,732,531	15,555,000	2,684,200
2014	267,500,000	23,151,829	11,369,999	127,753,932	91,384,568	3,410,000	2,278,400
2015	294,500,000	(4,277,754)	6,944,491	30,168,700	14,719,242	5,757,243	1,974,455
Subtotal	3,749,500,000	174,012,438	257,700,468	864,634,362	409,424,763	311,145,542	53,478,115
Est. 2016	-	34,000,000	7,023,500	41,941,000	2,073,500	2,073,500	4,230,000
Est. 2017	-	-	20,000,000	-	20,000,000	10,000,000	-
Est. 2018	-	-	-	-	-	-	4,000,000
TOTAL \$	3,749,500,000	208,012,438	284,723,968	906,575,362	431,498,263	323,219,042	61,708,115

As of 12.01.2015

Note: Estimates for FY 2016 include projects approved through October 2015. U. T. System FY 2016 allocation relates to various academic and health initiatives and is expected to be allocated to eligible U. T. institutions during FY 2016. Forecast includes the U. T. System PUF support for Academic and Health Related Institution Tuition Revenue Bond Projects in FY 2016-FY 2018.

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

FISCAL YEAR	ALLOCATIONS				
	UT RIO GRANDE VALLEY	UT SAN ANTONIO	UT TYLER	UT SOUTHWESTERN	UTMB GALVESTON
1932-1983 \$	-	-	-	58,269,127	63,159,928
1984	-	-	-	(2,784,250)	(3,100,000)
1985	-	-	-	-	(44,324)
1986	-	2,859,110	4,364,394	4,776,925	6,350,417
1987	-	1,529,000	330,000	487,165	2,005,000
1988	-	4,830,546	580,300	16,454,523	2,660,527
1989	-	14,258,390	303,000	2,236,000	20,925,000
1990	-	4,332,490	423,000	21,649,051	1,087,000
1991	-	500,000	11,800,000	500,000	4,125,000
1992	-	3,700,000	1,038,000	3,216,000	2,943,204
1993	-	599,120	360,000	20,925,000	648,000
1994	-	500,000	985,482	800,000	(504,000)
1995	-	1,216,200	719,716	375,000	393,540
1996	-	13,537,160	410,000	22,461,000	1,721,000
1997	-	7,754,433	4,847,000	4,500,000	2,272,000
1998	-	241,000	670,000	5,700,000	451,115
1999	-	1,150,000	225,000	(1,462,990)	1,350,000
2000	-	51,032,154	1,030,000	2,350,000	2,094,855
2001	-	55,750	14,500,000	89,000,000	4,192,000
2002	-	56,390,000	1,050,000	1,800,000	1,909,000
2003	-	2,446,303	2,970,474	2,400,000	20,165,489
2004	-	2,902,500	13,135,000	2,100,000	2,720,857
2005	-	7,851,307	2,549,776	3,400,000	7,630,000
2006	-	3,200,000	1,200,000	6,418,517	4,398,182
2007	-	49,152,183	9,445,152	48,390,000	4,844,369
2008	-	2,629,903	1,500,000	6,730,000	3,497,011
2009	-	2,225,676	1,310,979	3,145,000	3,826,107
2010	-	2,020,000	506,768	2,760,000	2,050,000
2011	-	1,974,006	877,465	7,798,666	5,383,077
2012	-	25,902,064	1,227,460	10,662,964	1,911,931
2013	-	2,847,360	4,983,300	8,123,017	1,978,944
2014	19,898,597	4,289,270	954,543	1,205,000	2,418,438
2015	63,422,600	3,898,649	7,090,500	19,202,307	35,816,597
Subtotal	83,321,197	275,824,574	91,387,309	373,588,022	211,280,264
Est. 2016	135,917,791	2,073,500	1,955,209	2,200,000	2,200,000
Est. 2017	-	-	11,000,000	-	-
Est. 2018	5,000,000	10,000,000	-	-	-
TOTAL \$	224,238,988	287,898,074	104,342,518	375,788,022	213,480,264

As of 12.01.2015

Note: Estimates for FY 2016 include projects approved through October 2015.

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

FISCAL YEAR	ALLOCATIONS				TOTAL
	UTHSC HOUSTON	UTHSC SAN ANTONIO	UT MD ANDERSON	UTHSC TYLER	ALL INSTITUTIONS
1932-1983 \$	10,232,106	-	12,052,125	-	463,974,953
1984	3,320,000	-	-	-	8,412,660
1985	-	-	-	-	6,112,387
1986	11,601,600	3,372,711	2,520,000	821,000	163,072,087
1987	10,000	19,556,053	-	440,000	30,086,426
1988	4,063,843	3,873,813	2,997,040	592,349	96,552,887
1989	2,388,000	13,363,927	5,923,000	1,150,000	88,591,862
1990	3,755,000	9,440,399	(1,410,000)	1,490,000	75,306,203
1991	-	2,943,417	-	-	60,480,876
1992	4,399,000	2,261,582	963,000	3,200,200	55,827,542
1993	856,000	30,000	29,452	917,000	14,292,568
1994	3,500,000	(124,160)	545,000	5,730,000	9,913,133
1995	950,000	(823,000)	414,000	603,000	25,247,380
1996	2,000,000	(61,917)	556,555	746,628	54,855,348
1997	1,100,000	11,140,200	2,133,315	2,093,650	60,618,547
1998	1,695,000	6,200,000	-	502,500	35,390,778
1999	11,850,000	(519,000)	1,263,000	1,350,000	23,818,010
2000	20,504,148	10,699,712	32,097,915	3,720,000	171,223,783
2001	(200,433)	16,000,000	(128)	2,370,000	146,366,805
2002	2,015,763	16,520,290	1,219,349	1,999,022	182,544,211
2003	51,714,373	8,700,000	2,051,048	805,472	128,122,428
2004	2,290,000	2,800,000	403,000	2,284,531	60,861,152
2005	2,500,000	4,520,000	1,897,485	1,850,000	103,249,218
2006	11,866,911	590,000	3,070,000	2,000,000	88,405,920
2007	61,914,307	53,899,588	5,839,000	2,355,476	360,314,466
2008	22,546,376	12,503,197	33,400,000	2,150,000	213,019,822
2009	4,466,929	14,649,981	4,873,560	11,994,995	183,681,651
2010	4,760,000	2,108,100	4,559,997	1,260,000	138,481,571
2011	3,065,994	5,436,151	8,105,373	2,118,070	116,488,191
2012	2,095,604	22,768,325	5,397,958	25,853,700	123,299,071
2013	2,945,661	125,054,375	7,594,485	5,250,000	189,606,562
2014	3,427,216	62,145,300	9,229,448	3,875,000	366,791,539
2015	5,942,478	59,809,000	6,380,484	3,080,000	259,928,993
Subtotal	263,575,876	488,858,044	154,105,461	92,602,593	4,104,939,030
Est. 2016	2,200,000	2,023,000	5,050,000	3,327,000	248,288,000
Est. 2017	-	6,000,000	-	3,700,000	74,700,000
Est. 2018	-	-	-	-	15,000,000
TOTAL \$	265,775,876	496,881,044	159,155,461	99,629,593	4,442,927,030

As of 12.01.2015

Note: Estimates for FY 2016 include projects approved through October 2015.

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

INSTITUTION	FISCAL YEAR				
	2014	2015	2016	2017	2018
UT System Administration	\$ 6,271,350	4,690,660	6,339,235	8,253,329	9,413,766
UT Arlington	10,835,317	7,322,576	7,819,263	11,004,439	12,721,857
UT Austin	28,270,326	18,411,716	21,047,833	27,545,922	32,141,577
UT Dallas	20,570,685	14,025,190	14,630,012	20,337,317	23,891,770
UT El Paso	12,099,437	8,129,697	8,513,436	11,474,565	13,375,307
UT Permian Basin	2,478,989	1,637,637	1,872,956	2,664,049	3,103,888
UT Rio Grande Valley	1,182,035	3,240,181	8,971,851	11,875,043	14,335,062
UT San Antonio	14,135,163	9,393,017	9,417,170	12,031,752	14,825,150
UT Tyler	3,792,361	2,737,193	2,946,958	4,231,137	4,962,137
UT Southwestern	13,494,895	9,591,873	9,259,998	12,014,340	13,824,554
UTMB Galveston	4,449,047	4,304,645	4,544,865	5,902,697	6,922,487
UTHSC Houston	12,641,203	8,504,014	8,945,656	11,787,983	13,804,134
UTHSC San Antonio	22,146,731	16,902,751	17,878,215	23,384,433	27,199,861
UT MD Anderson	7,354,882	5,064,977	5,500,989	7,173,780	8,474,431
UTHSC Tyler	4,449,047	3,017,931	3,287,496	4,440,082	5,207,181
	\$ 164,171,468	116,974,058	130,975,933	174,120,868	204,203,162

As of 12.01.2015

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 fourteen 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.

<b>U. T. System Administration – Uses of AUF</b>		
	<b>FY 2015 (Actual)</b>	<b>FY 2016 (Budget)</b>
<b>Institutional Support</b>		
Board of Regents	\$ 1,880,614	\$ 1,937,978
System Operations	35,650,560	78,498,520
Staff Benefits	10,220,307	10,006,666
<b>Total Administration</b>	<b>47,751,481</b>	<b>90,443,164</b>
External Audit	1,839,360	1,906,105
Systemwide Initiatives	134,905,045	-

**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.

*SYSTEMWIDE INITIATIVES*

The U. T. System Board of Regents has approved various other Systemwide initiatives that are further discussed on pages 10-13.

**APPENDIX G – U. T. AUSTIN APPLICATION OF AVAILABLE UNIVERSITY FUND**

	Actual FY 2015	Budget FY 2016
<b>EXCELLENCE IN MISSION</b>		
<b>INSTRUCTIONAL EXCELLENCE</b>		
Enhanced Academic Programs	\$ 39,462,019	\$ 69,885,379
Instructional Program Services	8,633,684	3,676,675
Instructional Initiatives and Programs	2,073,925	8,571,580
Academic Infrastructure (Libraries, Instructional Technology)	32,589,532	30,519,478
Student Programs and Services	6,233,188	3,793,787
<b>RESEARCH EXCELLENCE</b>		
Research Competitiveness	18,655,642	15,111,261
<b>OUTREACH EXCELLENCE</b>		
Academic Program/Community Interface	3,090,939	2,772,794
<b>TOTAL</b>	<b>110,738,929</b>	<b>134,330,954</b>
<b>RECRUITMENT AND RETENTION OF TALENT</b>		
Faculty	10,639,330	3,215,382
K-12 Outreach and Undergraduate Students	16,079,120	16,179,804
Graduate Students	27,370,313	36,749,756
<b>TOTAL</b>	<b>54,088,763</b>	<b>56,144,942</b>
<b>INSTITUTIONAL ACCOUNTABILITY AND ENHANCED CONNECTIONS TO THE PUBLIC</b>	<b>51,377,521</b>	<b>51,447,395</b>
<b>REGENTS' OUTSTANDING TEACHERS AWARDS</b>	<b>770,000</b>	<b>-</b>
<b>DELL MEDICAL SCHOOL</b>	<b>6,564,652</b>	<b>24,974,765</b>
<b>SYSTEMWIDE TECHNOLOGY AND TELECOMMUNICATIONS FUND</b>	<b>2,844,438</b>	<b>2,006,944</b>
<b>TOTAL</b>	<b>\$226,384,303</b>	<b>\$268,905,000</b>

**APPENDIX G – U. T. AUSTIN APPLICATION OF AVAILABLE UNIVERSITY FUND (CONTINUED)****EXPLANATION OF U. T. AUSTIN AUF EXPENDITURES**

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*, one of the several permitted uses of the AUF may be 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. 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 student success initiatives, 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 U. T. Austin institution-wide K-12 activities.



**APPENDIX G – U. T. AUSTIN APPLICATION OF AVAILABLE UNIVERSITY FUND (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 and visiting lecturers. Students have access to specialized centers for education technology and science and mathematics education: clinical legal, pharmacy and nursing experiences; 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 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.

**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: Texas Performing Arts, Blanton Museum, and Winedale Historical Center.

**APPENDIX G – U. T. AUSTIN APPLICATION OF AVAILABLE UNIVERSITY FUND (CONTINUED)****RECRUITMENT AND RETENTION OF TALENT:***FACULTY*

The faculty development program and the recruitment and start-up package funds enabled U. T. Austin to add new faculty positions in previous years to lower the student/faculty ratio. Lowering this ratio improved undergraduate educational programs, which is a major institutional goal for this decade. Steady progress was made annually. However, due to budget constraints in recent years, funds have not available to add new faculty positions. The student/faculty ratio is now trending upward.

*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 AVAILABLE UNIVERSITY FUND (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. Implementation of shared services and a new enterprise resource planning system will allow for campus-wide administrative systems to clearly align resources and investments with U. T. Austin's mission and goals by creating business driven systems and data management and modernizing the administrative information technology infrastructure. 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 institution 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 U.S. 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 and makes annual awards to U. T. Austin.

**APPENDIX G – U. T. AUSTIN APPLICATION OF AVAILABLE UNIVERSITY FUND (CONTINUED)****DELL MEDICAL SCHOOL:**

The Dell Medical School at U. T. Austin will improve health in Travis County and throughout the country by training new physicians, providing treatment in a new teaching hospital and conducting research to expand knowledge of medicine and medical technology.

**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 their missions of instruction, research and health care. At the request of U. T. System, these services are managed by U. T. Austin and therefore appear in U. T. Austin's budget.