

# THE UNIVERSITY OF TEXAS SYSTEM

## PERMANENT UNIVERSITY FUND (PUF) BOND PROCEEDS FOR LIBRARY, EQUIPMENT, REPAIR AND REHABILITATION (LERR) AND FACULTY SCIENCE AND TECHNOLOGY ACQUISITION AND RETENTION (STARS) AND SIMILAR FUNDED PROGRAMS BUDGET RULES AND PROCEDURES

For Fiscal Year Ending August 31, 2017

### A. INITIAL BUDGET

1. U. T. System institutions are authorized to purchase approved Library and Equipment items and to contract for Repair and Rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits as outlined in *UTS 168 Capital Expenditure Policy*. This includes expenditures for Faculty STARS or similar funded programs.
2. Transfers by the U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements.
3. Final approval of specific Repair and Rehabilitation projects will be in accordance with U. T. System Board of Regents established procedures for construction projects.
4. All expenditures are subject to the provisions of the *Constitution* of the State of Texas and the U. T. System Board of Regents' *Rules and Regulations* for the governance of The University of Texas System.

### B. BUDGET AMENDMENTS

1. Items requiring approval of the U. T. System Administration and subsequent approval by the U. T. System Board of Regents through the Consent Agenda
  - a. Substitute Library and Equipment purchases in excess of \$1 million that are not on the approved list.
  - b. Funding for new Repair and Rehabilitation projects in excess of \$1 million that are not on the approved list.

2. Items requiring approval of U. T. System Administration (no Consent Agenda approval required)
  - a. Substitute Library and Equipment purchases of \$1 million or less that are not on the approved list.
  - b. Funding for new Repair and Rehabilitation projects of \$1 million or less that are not on the approved list.
  - c. Transfers of appropriated funds between approved Library and Equipment items.
  - d. Transfers of appropriated funds between Repair and Rehabilitation items.
  - e. Transfers of funds for approved Library and Equipment purchases to fund approved Repair and Rehabilitation projects and vice versa.
  - f. All transfers of funds are subject to the requirements of the *Capital Expenditure Policy* (UTS 168).

## C. OTHER CONSIDERATIONS

1. All Library and Equipment or Repair and Rehabilitation appropriations must be expended within 36 months from the date of the award or the appropriation will lapse and be made available for future Systemwide reallocation.
2. All Faculty STARs or similar program appropriations must be expended within 36 months from the time the faculty member arrives on campus or the appropriation will lapse and be made available for future Systemwide reallocation.
3. Notwithstanding the limitations adopted at the time LERR, Faculty STARs, or other similar funding was authorized, these *Budget Rules and Procedures* apply to all previously authorized LERR, Faculty STARs and similar funding.

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## EXPENDITURE GUIDELINES – PERMANENT UNIVERSITY FUND (PUF) BOND PROCEEDS FOR LIBRARY, EQUIPMENT, REPAIR AND REHABILITATION (LERR) AND FACULTY SCIENCE AND TECHNOLOGY ACQUISITION AND RETENTION (STARS) AND SIMILAR FUNDED PROGRAMS

For Fiscal Year Ending August 31, 2017

### A. AUTHORIZATION OF PUF BOND PROCEEDS FOR LERR, STARS, OR SIMILAR FUNDED PROGRAMS

Article VII, Section 18 (b) of the Texas *Constitution* authorizes the U. T. System Board of Regents to issue bonds and notes secured by the U. T. System's interest in the Permanent University Fund for the purpose of:

- acquiring land, with or without permanent improvements;
- constructing and equipping buildings or other permanent improvements;
- major repair and rehabilitation of buildings and other permanent improvements;
- acquiring capital equipment; and
- acquiring library books and library materials.

It is for the last three purposes noted above that the U. T. System Board of Regents has established the LERR, Faculty STARS, and similar funded programs.

### B. RETENTION OF RECORDS

The Internal Revenue Service requires that invoice documentation supporting capital expenditures, including LERR, Faculty STARS and similar programs funded with proceeds of tax-exempt bonds, be maintained for a period ending three (3) years after the complete extinguishment of the bonds. Pursuant to the Texas *Constitution*, PUF bonds may be structured with a maximum maturity of 30 years. In order to comply with the IRS requirement and *UTS 181 Policy for Post Bond Issuance Federal Tax Compliance*, U. T. institutions shall maintain invoice documentation for 35 years for any capital expenditures funded with tax-exempt proceeds.

### C. ELIGIBILITY FOR PROGRAM FUNDS

Eligibility for LERR, STARS, or other similar funded programs is the same as eligibility for PUF bond proceeds as set forth in the *Constitution*. Eligible entities include U. T. System Administration, all U. T. academic institutions except for U. T. Brownsville, and all U. T. health institutions.

## **D. GENERAL GUIDELINES FOR USE OF PROGRAM FUNDS**

In addition to meeting the constitutional requirements outlined above, the general guideline to determine whether an item is eligible for LERR, Faculty STARS, or similar funded programs, is that it must have a useful life of at least one year. The following sections are provided to assist with that determination. These guidelines are not intended to be exhaustive and any questions regarding LERR, Faculty STARS, or similar funded program eligibility should be directed to the U. T. System Administration Office of the Controller.

### ***Repair and Rehabilitation of Buildings or Other Permanent Improvements***

Major repairs or rehabilitation of buildings or other permanent improvements include, but are not limited to, repairs, renovations, replacements, or betterments that are normally expected to extend the useful life, improve operating efficiency, eliminate health and safety hazards, correct structural or mechanical defects, upgrade the quality of existing facilities, or convert these assets to more useful functions, but that are not considered routine maintenance.

The cost of major repairs or rehabilitation of buildings or other improvements can include the contract price or cost of construction and other costs that would be applicable to make the building or improvement suitable for its intended use.

### ***Acquisition of Capital Equipment***

Capital equipment is generally regarded as nonexpendable, tangible personal property having a useful life of more than one year. The acquisition cost for equipment includes the net invoice price, including any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. In addition, taxes, duty, in-transit insurance, freight, and installation charges are also included as part of the acquisition cost. Capital equipment, including software, that will be used systemwide, or between and among U. T. institutions and System Administration, is eligible for LERR, Faculty STARS, or similar program funds.

### ***Warranties and Similar Service Features***

The cost of warranties and similar service features related to a purchase of capital equipment (such as maintenance agreements and loaner programs) are not eligible for LERR, Faculty STARS, or similar program funds as these are considered operating expenses. This ineligibility also applies to warranty and similar service feature costs separately identified during original purchase. For example, a warranty agreement charge that is separately identified on a Laptop purchase is not allowed.

## **Software**

Any capitalized costs associated with the development or implementation of software, including personnel costs (salaries), are eligible for LERR, Faculty STARS, or similar funded programs if they are incurred in the Application Development Stage. This principle applies whether the salaries are paid to employees of the institution or to outside parties. See *UTS 142.13 Accounting and Financial Reporting for Intangible Assets* at [http://www.utsystem.edu/bor/procedures/policy/policies/uts142\\_13.html](http://www.utsystem.edu/bor/procedures/policy/policies/uts142_13.html). Training costs related to software usage are discussed below.

The purchase of bundled software included as part of the initial acquisition of computer hardware is capitalizable regardless of threshold and therefore eligible for LERR, Faculty STARS, or similar program funds.

Software maintenance costs are considered operating expenses and therefore are not eligible for LERR, Faculty STARS, or similar program funds as these are considered operating expense.

Costs for software licenses with a useful life extending beyond one year that will be owned are eligible for LERR, Faculty STARS, or similar program funds. Leased or licensed software that requires the payment of an annual fee (i.e., does not have a useful life extending beyond one year) and that will not be owned when the license expires is not eligible for LERR, Faculty STARS, or similar program funds.

## **Employee Training and Travel Costs**

Employee training and travel costs are not eligible for LERR or STARS program funds as these are considered operating expenses.

## **Operating Expenses**

Consumables, which generally include those items that have an expected useful life of less than one year, are not eligible for LERR or STARS program funds as these are considered operating expenses. Some examples include, but are not limited to: chemicals, gases, paper, staplers and other office supplies, toner cartridges, medical supplies, disposal services, and laboratory supplies.

Examples of other operating expenses that are not eligible for LERR or STARS program funds include, but are not limited to: monthly telephone services, animals, software maintenance cost, and routine maintenance.

### ***Acquisition of Library Books and Library Materials***

The acquisition of library books and library materials is eligible for LERR. A library book is generally defined as a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library materials are information sources other than books, including journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items that provide information essential to the learning process or enhance the quality of university library programs. A purchase of a license for library materials is allowable if the license period is in excess of one year. Annual license subscriptions and payments are not eligible for LERR.

The acquisition cost of library books and library materials can include the invoice price, freight-in, handling and insurance, binding, electronic access charges, reproduction and other like costs required to put these assets in place, with the exception of library salaries.

### ***Prohibition for Student Housing, Athletics, and Auxiliary Enterprises***

Article VII, Section 18 (d) of the *Constitution* prohibits the use of PUF bond proceeds, and therefore the use of LERR, Faculty STARs, and similar program funds, for student housing, intercollegiate athletics, or auxiliary enterprises.

## **E. SPECIAL PROGRAM FUNDING**

### **Faculty STARs Program**

The Faculty STARs program funded by PUF bond proceeds supports the recruitment and retention of the best-qualified faculty at both academic and health institutions by providing additional resources to build and enhance research infrastructure. Because the STARs program is funded in the same manner as LERR, the same guidelines apply and each item must have a useful life of more than one year. STARs funds are available for laboratory renovation and equipment purchases; however, faculty and other staff salaries cannot be paid from STARs funds.

There are three related program goals that form the basis of the STARs program:

- recruit senior faculty with national prominence; and
- improve the quality of new faculty and research capacity of the institutions by augmenting the start-up packages for tenure and tenure-track faculty; and
- retain high quality faculty who have had offers from another research institution or have the potential to leave because of limited access to quality equipment or laboratories.