THE UNIVERSITY OF TEXAS SYSTEM

OPERATING BUDGET RULES AND PROCEDURES

For Fiscal Year Ending August 31, 2021

A. INITIAL BUDGET

1. Any transfers subsequent to the approval of the initial budget shall be made only after careful consideration of the allocations, transfer limitations, and general provisions of the current general appropriations act. (See B. Budget Amendments)

2. All appointments are subject to the provisions of the U. T. System Board of Regents' *Rules and Regulations (*"Regents' *Rules")* for the governance of The University of Texas System.

3. The established merit policy will be observed in determining salary rates.

4. All academic salary rates in the instructional departments of the academic institutions are nine-month rates (September 1 - May 31) unless otherwise specified. In the health-related institutions, all salary rates are twelve-month rates unless otherwise specified.

5. All appointments of classified personnel are based on twelve-month rates and are made within appropriate salary ranges as defined by the classified personnel Pay Plan approved by the president or Chancellor. All appointments of administrative and professional personnel are based on twelve-month rates.

6. Compensation for continuing personnel services (for a period longer than one month), though paid for on an hourly basis, is not to be paid out of maintenance and equipment, or like appropriations, except upon specific approval of the president of the institution or the Chancellor.

7. All maintenance and operation, equipment, and travel appropriations are for twelve months (September 1 - August 31) and should be budgeted and expended accordingly.

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. New appointments of tenured faculty (Regents' *Rule* 31007).

    b. Award of tenure to any faculty member (Regents' *Rule* 31007).

    c. New appointments as Regental Professor (Regents' *Rule* 31001). Titles set forth in Regents' *Rule* 20301 including Chancellor Emeritus, President Emeritus and similar honorary designations are conferred by the U. T. System Board of Regents.

    d. Appointments, promotions, and salary increases involving the president (Regents' *Rules* 20201, 20202, 20203).

    e. New contracts or contract changes involving athletic directors or head coaches whose total annual compensation, or total contractual compensation, equals or exceeds the amounts specified by Regents' *Rule* 10501 Section 2.2.12.

    f. Compensation changes for Key Executives as defined by Regents' *Rule* 20203.

    g. Compensation for personnel whose total annual compensation for the first time is, or may exceed, $1,000,000 during the year (Highly Compensated Personnel) and who are not subject to B.1.e or B.2.f (Regents' *Rule* 20204).

    h. Compensation changes for Highly Compensated Personnel greater than five percent (Regents' *Rule* 20204).

    i. Increases in budgeted amounts from income or unappropriated balances for Educational and General, Auxiliary Enterprises, Designated Funds, Service Departments, Revolving Funds, and Plant Funds, subject to the thresholds established in B.5 below.

    j. Increases to Plant Funds which result from transfers from Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds, subject to the thresholds established in B.5 below.

2. Items requiring approval of U. T. System Administration (no Consent Agenda approval required)

    a. Reappropriation of prior year Educational and General Fund balances, subject to the thresholds established in B.5 below.

    b. Increases in budgeted amounts from income or unappropriated balances for Educational and General, Auxiliary Enterprises, Designated Funds, Service Departments, Revolving Funds, and Plant Funds, subject to the thresholds established in B.5 below.

c. Increases to Plant Funds which result from transfers from Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds, subject to the thresholds established in B.5 below.

d. Compensation changes for Highly Compensated Personnel whose change in total annual compensation is five percent or less and whose initial compensation was previously approved by the U. T. System Board of Regents (Regents' Rule 20204).

e. Appointments and promotions involving administrative and professional personnel reporting directly to the president.

3. Items requiring approval of the president only (Chancellor for U. T. System Administration)

a. All interdepartmental transfers.

b. All budget transfers between line-item appropriations within a department.

c. Increases in budgeted amounts from income or unappropriated balances for Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds, subject to the thresholds established in B.5 below.

d. Reallocation of unallocated Faculty Salaries. All unfilled and uncommitted line-item faculty salary positions will lapse to the institutional "Unallocated Faculty Salaries" account.

e. Reappropriation of Prior Year Educational and General Fund Balances, subject to the thresholds established in B.5 below.

f. Promotions involving tenured faculty.

g. New honorary title appointments as Dean Emeritus, Chair Emeritus, Professor Emeritus, and similar honorary designations (Regents' Rule 31001).

h. Transactions involving all other personnel except those specified in B.1.a, B.1b, B.1c, B.1d, B.1e, B.1f, B.1g, B.1h, B.2d, and B.2e as defined above.

i. Changes in sources of funds, changes in time assignments, and other changes in status for personnel categorized in Item B.1, provided no change in the individual's salary rate is involved. In the case of Medical Faculty, this provision applies to "Total Compensation."

j. Summer Session Budgets.

k. Clinical faculty appointments or changes, including medical or hospital staff, without salary provided the clinical faculty member is not considered to be Highly Compensated Personnel.

4. Effective date of appointments and compensation increases

   a. Any increase in approved compensation for the current fiscal year without a change in classification or position is not to be effective prior to the first day of the month in which the required final approval of the rate change is obtained.

   b. A compensation increase resulting from an appointment to another classification or to a position involving new and different duties may be made effective to the time of the first performance of duties under the new appointment.

   c. The effective date of an appointment is the date on which the individual is first to perform service for the institution under that appointment.

   d. The original appointment during a fiscal year of a person not in a budget for that year or not under an existing appointment for that year may relate back to the first performance of duties during the fiscal year although such person may have been employed in a previous fiscal year and although increased compensation for the same classification or position is involved.

5. Budget amendment criteria

   a. Institutions other than U. T. System Administration with budgeted revenue, including transfers from the Available University Fund, of $1 billion or more will have a threshold of:
      i. For B.1h and B.1i – Equal to or greater than $5,000,000 (budget increase approval on Consent Agenda)
      ii. For B.2a – Equal to or greater than $2,000,000 (reappropriation of E&G balances approval by U. T. System Administration)
      iii. For B.2b and B.2c – Equal to or greater than $2,000,000 and less than $5,000,000 (budget increase approval by U. T. System Administration)
      iv. For B.3c and B.3e – Less than $2,000,000 (approval by president)

   b. Institutions other than U. T. System Administration with budgeted revenue, including transfers from the Available University Fund, between $250 million and $1 billion will have a threshold of:
      i. For B.1h and B.1i – Equal to or greater than $2,500,000 (budget increase approval on Consent Agenda)
      ii. For B.2a – Equal to or greater than $1,000,000 (reappropriation of E&G balances approval by U. T. System Administration)
      iii. For B.2b and B.2c – Equal to or greater than $1,000,000 and less than $2,500,000 (budget increase approval by U. T. System Administration)
      iv. For B.3c and B.3e – Less than $1,000,000 (approval by president)

c. Institutions other than U. T. System Administration with budgeted revenue, including transfers from the Available University Fund, less than $250 million will have a threshold of:
   i. For B.1h and B.1i – Equal to or greater than $1,000,000 (budget increase approval on Consent Agenda)
   ii. For B.2a – Equal to or greater than $250,000 (reappropriation of E&G balances approval by U. T. System Administration)
   iii. For B.2b and B.2c – Equal to or greater than $250,000 and less than $1,000,000 (budget increase approval by U. T. System Administration)
   iv. For B.3c and B.3e – Less than $250,000 (approval by president)

d. U. T. System Administration will have a threshold of:
   i. For B.1h and B.1i – Equal to or greater than $1,000,000 (budget increase approval on Consent Agenda)
   ii. For B.2a and B.3e – All amounts may be approved by the Chancellor (reappropriation of E&G balances)
   iii. For B.2b, B.2c, and B.3c – All amounts less than $1,000,000 may be approved by the Chancellor (budget increase approval)
   iv. Notwithstanding i., ii., and iii., the Chancellor may authorize any budget amendment in the U. T. System revolving insurance funds without limitation.

C. OTHER CONSIDERATIONS

1. All appropriations not actually expended or encumbered by August 31 will automatically lapse to the Unappropriated Balance Account except for those reallocated pursuant to Item B.2a and Item B.3e.

2. Compensation indicated as "MSRDP Funds," "DSRDP Funds," "PRS Funds," “FSRDP Funds, “Allied Health Faculty Services Plan” or “Nursing Clinical Enterprise Health Services, Research and Development Plan” is contingent upon its being earned or available in accordance with the regulations applicable to the appropriate Medical Service Research and Development Plan, Dental Service Research and Development Plan, Physicians Referral Service Plan, Faculty Services Research and Development Plan, Allied Health Faculty Services Plan, or Nursing Clinical Enterprise Health Services Research and Development Plan.

3. Budgeted expenditures authorized from sources of funds other than Educational and General Funds are contingent upon receipt of such funds. Appointments from such fund sources will not become an obligation of the institution in the event the supplemental or grant funds are not realized.

4. Leaves of Absence may be granted only in accordance with provisions contained in Regents' Rule 30201.

5. In these Rules, Compensation means total annual compensation as defined by Regents’ Rule 20204 or total compensation under a multiyear contract.

6. Appropriations of the Available University Fund are subject to the appropriation limitations and notice requirements found in the General Appropriations Act.

THE UNIVERSITY OF TEXAS SYSTEM

FACULTY WORKLOAD REQUIREMENTS FOR ACADEMIC INSTITUTIONS

For Fiscal Year Ending August 31, 2021

FACULTY WORKLOAD REQUIREMENTS FOR ACADEMIC INSTITUTIONS

The general workload policy for faculty employed at U. T. System academic institutions is set forth in Regents' *Rule* 31006. Through established shared governance processes, each academic institution has been authorized by the U. T. System Board of Regents to establish a faculty workload policy that adheres to the provisions and reporting requirements of *Rule* 31006. As required by *Texas Education Code Section* 51.402 and *Rule* 31006, each academic institution has included their faculty workload policy in this operating budget.

THE UNIVERSITY OF TEXAS SYSTEM

MEDICAL, DENTAL, NURSING, FACULTY SERVICES RESEARCH AND DEVELOPMENT PLANS,
ALLIED HEALTH FACULTY SERVICES PLAN AND PHYSICIANS REFERRAL SERVICE

For Fiscal Year Ending August 31, 2021

RULES AND PROCEDURES

1. These Rules and Procedures are to be used for the Medical, Dental, Nursing, and Faculty Services Research and Development Plans, the Allied Health Faculty Services Plan and Physicians Referral Service ("the Plans") Budgets in conjunction with the Rules and Procedures for the General Operating Budget.

2. Budgeted expenditures authorized from the Plans are contingent upon receipt of such funds. Appointments and other budget transactions from such fund sources shall not become an obligation of any institution in the event the funds are not realized.

3. All income for professional services earned by members of the plans, except royalties, payments for editing scientific publications, and consultation fees as a regional or national consultant to any branch of the U.S. Government as approved by the U. T. System Board of Regents shall be deposited in the appropriate institution's institutional Trust Fund Account.

4. Administration, operation, and disbursement of funds shall be in accordance with each institutional plan approved by U. T. System Administration and the U. T. System Board of Regents.

5. At U. T. M. D. Anderson Cancer Center, associate members' earnings will be contingent upon the earned income of the member in accordance with the services rendered to the patient assigned to the member's specialty by the chief of the major service. All payments will be approved by the Executive Council of the Physicians Referral Service.

6. Budgeted funds can be used for staff retirement and insurance benefits, for actual travel or supplemental travel expenses for attending meetings for the benefit of any institution, for memberships and dues in medical organizations, for official entertainment, and for such other disbursements as may be authorized by the president consistent with the policies approved by the U. T. System Board of Regents and the U. T. System Administration. These expenditures must be in the best interests of the research, educational and patient care activities of any institution and in the best interest of maintaining a distinguished scientific staff for such purposes and activities.

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, 2021

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. 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 *UTS 168 Capital Expenditure Policy*.

g. Transfer of STARs funding between the Faculty STARs program and the Rising STARs program.

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.

4. In accordance with the *UTS 168 Capital Expenditure Policy*, LERR and Faculty STARs funding that is incorporated into a Major Project will be defined as PUF and will be subject to rules applicable to all Major Projects. Major Projects are defined by Regents' *Rule* 80301.

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 EXPENDITURE GUIDELINES

For Fiscal Year Ending August 31, 2021

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*.

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 Budget and Planning.

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 https://www.utsystem.edu/sites/policy-library/policies/uts-14213-accounting-and-financial-reporting-intangible-assets. 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, except for 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.

Rising STARs Program

The Rising STARs program makes up to $250,000 available for recruitment of promising faculty members who are recruited in a tenure track position at any academic level, i.e. assistant, associate or full professor. Rising STARs funding is limited to the same equipment and renovation expenditure restrictions as Faculty STARs.