

Accounting Handbook

Expenditure Guidelines - HEF Funds—Higher Education Funds (sometimes referred to as HEAF-Higher Education Assistance Funds)

1. General Policy

Higher Education Funds (HEF) are authorized by an amendment of Article VII, Section 17 of the Texas Constitution. HEF allocations from UH System will be allocated at the beginning of each fiscal year by the President to departments for expenditures. HEF funds are handled by the State Treasurer and all expenditures must meet the requirements specified by the State Auditor's Office and the General Services Commission.

Article VII, Section 17(f) provides that the funds appropriated by Section 17 may not be used to finance student housing, intercollegiate athletics, or auxiliary enterprises.

Any expenditure in excess of \$300,000 for major repair and rehabilitation, or for any land acquisition, or new construction, or other permanent improvement must have prior approval of the Texas Higher Education Coordinating Board.

2. Categories of Expenditures

2.1 State Allocation - (Ledger 1)

- 2.1.1 Acquisition of land with or without improvements.
- 2.1.2 Constructing and equipping buildings or other permanent improvements.
- 2.1.3 Major repair and rehabilitation of buildings or other permanent improvements.
- 2.1.4 Acquisition of capital equipment.
- 2.1.5 Acquisition of library books and library materials.
- 2.1.6 50% of allocation may be pledged to secure payment of principal and interest on HEF bonds and/or notes.

2.2 Bond Proceeds - (Ledger 7)

- 2.2.1 Acquisition of land with or without improvements.
- 2.2.2 Constructing and equipping buildings or other permanent improvements.

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2.2.3 Major repair and rehabilitation of buildings or other permanent improvements.

2.2.4 Refunding bonds or notes issued under Section 17 or prior laws.

3. General Definitions

The following definitions are based on general guidelines provided by the State Auditor's office until the publication of detailed guidelines by the Texas Higher Education Coordinating Board. Please note that the State Auditors are eliminating all normal operating expenditures from HEF allocations. This would exclude any expenditures for supplies, rental of equipment, faculty salaries, etc.

3.1 Land refers to the surface or crust of the earth which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees.

3.2 Constructing and equipping buildings defines the process of erecting buildings and of providing equipment which will assure that the buildings can be used for the purpose intended and the constructing and equipping of other permanent improvements. This category includes additions to existing buildings and equipping of existing buildings.

3.3 Major repairs or rehabilitation of buildings or other improvements includes but is not limited to repairs, renovations, replacement or betterment which are normally expected **to extend the useful life**, to improve operating efficiency, **to eliminate health and safety hazards**, to correct structural or mechanical defects, to upgrade the quality of existing facilities, or convert these assets to more useful functions, but are not considered routine maintenance.

3.4 Capital equipment is defined as fixed or moveable tangible assets (not including supplies). Capital equipment purchased with HEF money must meet one of the following criteria:

3.4.1 the benefits of which extend over more than one year; or

3.4.2 whose cost or value is equal to or greater than \$5,000; or

3.4.3 is an integral part of an approved large construction project.

3.5 Controlled assets are property classes that the State Comptroller requires state agencies to report to the State Property Accounting system. Controlled assets include Cameras-Portable-Digital, SLR; TVs, Video Players/Recorders; Computer Desktop; Data Projectors; Smartphones, Tablets & other hand held devices; Laptop Computers with a value of \$500 to \$4,999.99. Handguns, Rifles and Shotguns with a value of \$0.00 and greater. State controlled assets purchased with HEF money must meet state guidelines.

3.6 Routine Maintenance and/or Repairs of capital equipment may not be paid with HEF funds.

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- 3.7 Library books are a literary composition bound into a separate volume, identifiable as a separately copyrighted unit. Books should be distinguished from periodicals and journals. These are an addition to the current university library resources, and are exclusive of normal operating costs.
- 3.8 Library materials are information sources other than books (either owned or accessed), which include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents or similar items which provide information essential to the learning process or which enhance the quality of university library programs.
- 3.9 Salaries must be for work directly related to construction and/or development projects authorized in Article VII, Section 17, and be administered under Administration and Finance.