

The University of Texas Rio Grande Valley
Library Equipment Repair & Rehabilitation (LERR) Guidelines

This document is an excerpt of the *Permanent University Fund (PUF) bond Proceeds for LERR, and faculty Science and Technology Acquisition and Retention (STARSS) Budget Rules and Procedures* maintained by UT System found at the link below. This document attempts to highlight the more essential elements of the LERR guidelines but is not a substitute for the primary UT System document. Please note that both these guidelines and the UT System guidelines are not exhaustive. ***Although this document is specific to LERR, note that the expenditure limitations described below apply to PUF funding in general and not solely to LERR.*** Therefore, it is important to seek guidance in situations that may be unique.

<https://www.utsystem.edu/documents/docs/policies-rules/lerr-and-faculty-stars-budget-rules-procedures>

THE THREE PURPOSES OF LERR FUNDS

Use of PUF bond proceeds is governed by Article VII, Section 18(b) of the *Texas Constitution*. Among the authorized uses of these funds are the following:

(1) Major repair and rehabilitation of buildings and 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.

(2) Acquiring 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 system-wide, or between and among U. T. institutions and System Administration, is eligible for LERR.

(3) Acquiring 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.

IMPORTANT CONSIDERATIONS

Expenditure within 36 months: All LERR appropriations must be expended within 36 months from the date of the award; funds not expended will lapse to UT System.

Useful life of items purchased: the general guideline to determine whether an item is eligible for LERR is that it must have a useful life of at least one year. Note that an item may have a useful life of greater than one year and still be disallowed for other reasons e.g. small office items such as staplers that are operating expenses.

Retention of Records: Because LERR consists of tax-exempt bond proceeds, invoice documentation for LERR expenditures shall be maintained for 35 years.

ITEMS NOT ELIGIBLE FOR LERR

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 as these are considered operating expenses. This ineligibility also applies to warranty and similar service feature costs *separately identified* during original purchase.

Operating expenses are not allowed: Consumables, which generally include those items that have an expected useful life of less than one year, are not eligible 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 include, but are not limited to: monthly telephone services, animals, software maintenance cost, and routine maintenance. If an item would be coded as materials and supplies, it is not eligible for LERR.

Employee training and travel costs: Employee training and travel costs are not eligible for LERR as these are considered operating expenses.

Salaries and fringe benefits: Except as indicated below for the application development stage of software implementation, salaries and related fringe benefits are not eligible expenses.

Auxiliary enterprises including student housing and athletics: Article VII, Section 18 (d) of the Texas *Constitution* prohibits the use of PUF bond proceeds for student housing, intercollegiate athletics, or any other auxiliary enterprise. Therefore, the use of LERR for these purposes is not allowed.

SOFTWARE

Additional information on intangible assets can be found in UT System policy, *UTS 142.13 Accounting and Financial Reporting for Intangible Assets*, at the link below.

<https://www.utsystem.edu/board-of-regents/policy-library/policies/uts-14213-accounting-and-financial-reporting-intangible>

Item	Eligible?
Capitalized costs associated with the development or implementation of software, including personnel costs (salaries) if they are incurred in the Application Development Stage (whether paid to employees or outside parties)	YES
Bundled software included as part of the initial acquisition of computer hardware	YES
Software licenses with a useful life extending beyond one year	YES
Training	NO
Software maintenance	NO
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	NO