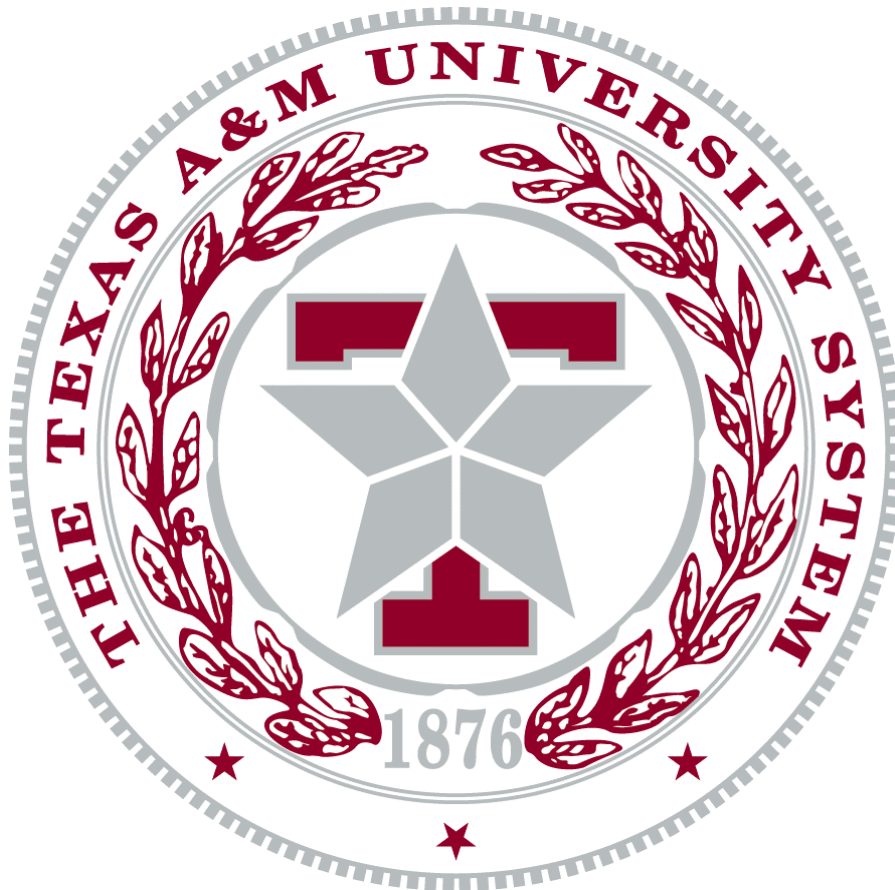


**THE TEXAS A&M UNIVERSITY SYSTEM
AVAILABLE UNIVERSITY FUND**



**Report to the Legislature and Governor
Pursuant to Rider No. 4 to Available University Fund Appropriations
Senate Bill 1, 77th Legislature, Regular Session, Page III-71**

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1. USES OF AVAILABLE UNIVERSITY FUNDS (AUF)

The AUF is used for two primary purposes: 1) to pay interest and principal due on Permanent University Fund (PUF) debt, and 2) to provide operating and excellence funds for Texas A&M University, Prairie View A&M University, and The Texas A&M University System Administrative and General Offices.

PUF DEBT SERVICE

Income generated from the PUF is used to pay debt service on bonds and variable rate notes issued for capital needs, which are reviewed each year and detailed in a five-year Capital Plan document. These needs include new construction, repairs and renovations, equipment purchases, and library books and materials. The Texas A&M University System Members benefiting from bonds and notes include the following:

- Prairie View A&M University
- Tarleton State University
- Texas A&M University
 - Texas A&M University at Galveston
- Texas A&M University System Health Science Center
 - (excluding Baylor College of Dentistry)
- Texas Agricultural Experiment Station
- Texas Cooperative Extension
- Texas Forest Service
- Texas Engineering Experiment Station
- Texas Engineering Extension Service
- Texas Transportation Institute
- System Administrative and General Offices

The methodology applied to the allocation of the debt service for the benefit of eligible A&M System Members is based on the original appropriations of debt proceeds. Debt service for bond issues that include equipment are split so that equipment is paid off in seven years or less, while new construction and renovation projects are financed for the full term of the bonds. Debt service is tracked by A&M System Member and bond issue, and further divided into equipment and other categories (including repairs, renovations, and new construction).

The first call on the use of AUF funds is to service PUF-backed debt. Appendix C summarizes the allocation of A&M System PUF Bond Proceeds to each Member.

OPERATING AND EXCELLENCE ALLOCATIONS

Pursuant to the terms of the constitution, Texas A&M University, Prairie View A&M University, and The Texas A&M University System Administrative and General Offices are the only A&M System Members eligible to receive appropriations from the remaining AUF. These appropriations are made in support of each Member's operating and excellence budgets.

As approved by the Board of Regents, Texas A&M University, and Prairie View A&M University, the distribution of AUF income to the two institutions is based on the ratio of the total all funds appropriation by the legislature to each institution, averaged over a five year period. The split for FY 2002 – FY 2003 is 87.79% for Texas A&M University and 12.21% for Prairie View A&M University.

2. ENDING FUND BALANCES

As of August 31, 2001, the cash balance of the AUF Reserve was \$85,247,007. This balance does not include receivables of \$656,933. After considering the receivables, the AUF Reserve fund balance is \$85,903,940. Of this balance, \$55,634,387 has been set aside for debt service needs for fiscal year 2002.

In addition to the Reserve fund balance, the A&M System Offices has an additional \$468,409 set aside for emergency needs. Texas A&M University and Prairie View A&M University had ending fund balances of \$11,918,292 and \$9,933,262, respectively. The Prairie View A&M University ending fund balance includes \$3.9 million set aside in an Endowed Scholars Matching fund.

Summaries of fiscal year 1999 through fiscal year 2001 actual activity, as well as fiscal year 2002 and 2003 budgets, can be found in Appendices F – J.

Appendix A

CAPITAL IMPROVEMENT PLAN – GENERAL POLICIES

Capital needs are determined as part of an on-going capital planning process that clearly identifies the available resources of the A&M System Members. These needs are tracked for five fiscal years and are compiled into the official Capital Plan (Plan) of the System. Management of available capital resources is a joint effort between the Member institutions and agencies and the System Administrative and General Offices (SAGO). The Plan is updated continuously and is formally reviewed and approved by the Chancellor at the beginning of each fiscal year and again in March of each year.

The Plan includes capital equipment; land purchases; projects for the construction of new buildings, facilities or other permanent improvements; and projects for the repair, renovation or rehabilitation of existing buildings, facilities or other permanent improvements, which are financed or exceed thresholds set by the Texas Higher Education Coordinating Board. Additions to the Plan are submitted in writing for review and incorporation as far in advance of the planned expenditure as possible, and at least concurrent with a request for project initiation or purchase. Details submitted include scope, justification, and funding sources by type of funds, i.e., Permanent University Funds (PUF), Higher Education Funds (HEF), Revenue Financing System Funds (RFS) and/or Member institutional funds.

A cash flow analysis is prepared for the five years covered by the Plan. The analysis reflects those projects and equipment purchases that will expend funds during the five-year period, and the expected balances of debt proceeds remaining and planned debt issuances during each of the five fiscal years. Actual cash balances and remaining project expenditures are incorporated into the analysis periodically. Revisions to the cash flow analysis are included in the updated Capital Plan published twice each fiscal year.

Appendix B

PUF BOND RATINGS

Pursuant to constitutional provisions, the A&M System may sell bonds equal to ten percent (10%) of the book value of the PUF. The indebtedness is secured by AUF income and is rated on the stability of the PUF, the quality of its investment management, other commitments against the AUF, and various other factors. The overall credit rating of PUF bonds is AAA. The Variable Rate Note programs have been rated with the highest commercial paper credit ratings by nationally recognized rating agencies.

Appendix C

THE TEXAS A&M UNIVERSITY SYSTEM Available University Fund Debt Proceed Allocations by Benefiting Member

TAMUS Member	Actual FY 1999	Actual FY 2000	Actual FY 2001	Budget FY 2002	Budget FY 2003
Texas A&M University	1,500,000	5,863,056	1,600,000	11,700,000	40,000
Texas A&M University@Galveston	432,290				4,250,000
TAMUS Health Science Center					4,500,000
Tarleton State University	4,903,356	3,955,000		7,000,000	3,500,000
Prairie View A&M University	5,563,056	736,944	6,000,000	1,794,000	14,206,000
Texas Agricultural Experiment Station	830,000			2,165,727	1,083,000
Texas Cooperative Extension	250,000			672,000	336,000
Texas Forest Service	112,000			562,273	281,000
Texas Engineering Experiment Station	598,700			1,800,000	900,000
Texas Engineering Extension Service	349,000			1,100,000	550,000
Texas Transportation Institute	340,000			1,100,000	550,000
System Administrative and General Offices	121,598		10,000,000		
TOTAL	15,000,000	10,555,000	17,600,000	27,894,000	30,196,000

Appendix D

The Texas A&M University System Available University Fund Debt Service Allocations by Benefiting Member

<u>TAMUS Member</u>	<u>Actual FY 1999</u>	<u>Actual FY 2000</u>	<u>Actual FY 2001</u>	<u>Budget FY 2002</u>	<u>Budget FY 2003</u>
Texas A&M University	21,079,366	22,114,258	21,876,908	20,437,433	20,694,948
Texas A&M University@Galveston	1,669,029	2,057,609	1,599,617	1,616,077	2,117,228
TAMUS Health Science Center	121,002	148,716	164,688	2,355,144	1,680,497
Tarleton State University	3,973,069	6,224,765	4,315,874	11,396,078 *	7,306,847
Prairie View A&M University	4,424,650	4,677,994	4,917,886	5,247,026	5,875,099
Texas Agricultural Experiment Station	2,318,040	3,917,112	2,289,151	4,506,536	3,192,859
Texas Cooperative Extension	397,007	782,790	333,296	1,013,407	603,173
Texas Forest Service	340,006	540,847	317,511	891,929	561,765
Texas Engineering Experiment Station	1,417,025	2,504,139	1,333,187	3,146,856	1,982,300
Texas Engineering Extension Service	301,005	890,845	264,655	1,383,072	753,469
Texas Transportation Institute	430,007	1,025,938	412,765	1,536,713	901,554
System Administrative and General Offices	1,574,027	1,669,608	1,660,374	2,104,116	2,025,513
TOTAL	<u>38,044,233</u>	<u>46,554,621</u>	<u>39,485,912</u>	<u>55,634,387</u>	<u>47,695,252</u>

*Includes debt service on equipment funding for two years of allocations

Appendix E

The Texas A&M University System Summary of Available University Funds August 31, 2001

Cash in State Treasury		114,232,921.09
Reimbursement Due from State		(4,839,276.08)
Accounts Receivable		209,400.00
Accrued Interest Receivable		447,532.54
Due From Other Funds		3,117,975.51
Accounts Payable		(1,160,927.00)
Accrued Liabilities		(327,108.67)
Accrued Compensable Absences Payable		<u>(3,456,616.00)</u>
Total Fund Balance		<u><u>108,223,901.39</u></u>
Fund Balance composed of:		
Reserve for Future Operations		
PUF and RFS Debt Service	55,634,387.00	
Operating Budget Supplement		
Texas A&M University	68,000,000.00	
Prairie View A&M University	9,500,000.00	
System Administrative and General Offices	6,100,000.00	
Anticipated Use of Future Revenues	<u>(53,330,447.32)</u>	85,903,939.68
Budget Carryforward to FY 2002		
Texas A&M University		
Operating	11,863,336.84	
Excellence	<u>54,954.77</u>	11,918,291.61
System Administrative and General Offices		
Operating		468,408.59
Prairie View A&M University		
Operating	3,219,068.27	
Excellence	<u>6,714,193.24</u>	<u>9,933,261.51</u>
Total Fund Balance		<u><u>108,223,901.39</u></u>

Appendix F

The Texas A&M University System Available University Funds - Reserve

	<u>Actual FY 1999</u>	<u>Actual FY 2000</u>	<u>Actual FY 2001</u>	<u>Budget FY 2002</u>	<u>Budget FY 2003</u>
Beginning Balance	92,381,863.68	91,436,070.67	89,503,242.19	85,903,939.68	67,398,764.68
Revenues and Other Additions					
Available University Fund Income Allocation	87,784,116.62	100,259,763.00	108,861,397.52	114,311,212.00	123,577,845.00
State Treasury Interest Earnings	6,695,010.83	8,060,292.41	9,601,580.49	6,418,000.00	6,197,000.00
Miscellaneous Income	12,841.96				
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions	<u>94,491,969.41</u>	<u>108,320,055.41</u>	<u>118,462,978.01</u>	<u>120,729,212.00</u>	<u>129,774,845.00</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages					
Other Operating Expenses					
Capital Outlay					
Debt Service					
Net Increase in Accrued Compensable Absences Payable					
Total, Expenditures and Other Deductions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	(41,393,173.00)	(48,160,000.00)	(49,328,000.00)	(55,450,000.00)	(47,695,252.00)
Revenue Financing System Notes	(180,574.00)	(180,860.00)	(182,891.00)	(184,387.00)	
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University	(48,674,519.00)	(52,500,000.00)	(68,000,000.00)	(68,000,000.00)	(70,000,000.00)
Prairie View A&M University	(5,912,857.13)	(6,834,795.47)	(8,500,000.00)	(9,500,000.00)	(9,700,000.00)
System Administrative and General Offices	(4,400,000.00)	(4,400,000.00)	(6,100,000.00)	(6,100,000.00)	(6,200,000.00)
Return of Excess Debt Service Funds	5,123,360.71	1,822,771.58	10,048,610.48		
Total Transfers	<u>(95,437,762.42)</u>	<u>(110,252,883.89)</u>	<u>(122,062,280.52)</u>	<u>(139,234,387.00)</u>	<u>(133,595,252.00)</u>
Ending Balance	<u>91,436,070.67</u>	<u>89,503,242.19</u>	<u>85,903,939.68</u>	<u>67,398,764.68</u>	<u>63,578,357.68</u>

Appendix G

The Texas A&M University System Available University Funds - Debt Service

	<u>Actual FY 1999</u>	<u>Actual FY 2000</u>	<u>Actual FY 2001</u>	<u>Budget FY 2002</u>	<u>Budget FY 2003</u>
Beginning Balance	1,576,404.50	0.00	0.00	0.00	0.00
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income	17,442.63	36,532.63	23,630.98		
Total, Revenues and Other Additions	<u>17,442.63</u>	<u>36,532.63</u>	<u>23,630.98</u>	0.00	0.00
Expenditures and Other Deductions					
Operating					
Salaries and Wages					
Other Operating Expenses					
Capital Outlay					
Debt Service	38,044,233.42	46,554,621.05	39,485,911.50	55,634,387.00	47,695,252.00
Net Increase in Accrued Compensable Absences Payable					
Total, Expenditures and Other Deductions	<u>38,044,233.42</u>	<u>46,554,621.05</u>	<u>39,485,911.50</u>	<u>55,634,387.00</u>	<u>47,695,252.00</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	41,393,173.00	48,160,000.00	49,328,000.00	55,450,000.00	47,695,252.00
Revenue Financing System Notes	180,574.00	180,860.00	182,891.00	184,387.00	
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University					
Prairie View A&M University					
System Administrative and General Offices					
Return of Excess Debt Service Funds	(5,123,360.71)	(1,822,771.58)	(10,048,610.48)		
Total Transfers	<u>36,450,386.29</u>	<u>46,518,088.42</u>	<u>39,462,280.52</u>	<u>55,634,387.00</u>	<u>47,695,252.00</u>
Ending Balance	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>

Appendix H

The Texas A&M University System Texas A&M University Available University Funds - Operating/Excellence

	<u>Actual FY 1999</u>	<u>Actual FY 2000</u>	<u>Actual FY 2001</u>	<u>Budget FY 2002</u>	<u>Budget FY 2003</u>
Beginning Balance	13,789,771.84	2,008,103.97	3,329,935.57	11,918,291.61	4,912,539.84
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Total, Revenues and Other Additions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages	22,278,068.00	5,305,572.29	19,540,900.11	27,452,685.00	29,500,000.00
Other Operating Expenses	31,878,035.87	40,256,852.11	31,442,885.18	36,647,315.00	31,100,000.00
Capital Outlay	6,300,083.00	5,615,744.00	5,471,503.55	7,500,000.00	7,500,000.00
Debt Service					
Other			2,956,355.12	3,405,751.77	2,000,000.00
Total, Expenditures and Other Deductions	<u>60,456,186.87</u>	<u>51,178,168.40</u>	<u>59,411,643.96</u>	<u>75,005,751.77</u>	<u>70,100,000.00</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes					
Revenue Financing System Notes					
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University	48,674,519.00	52,500,000.00	68,000,000.00	68,000,000.00	70,000,000.00
Prairie View A&M University					
System Administrative and General Offices					
Return of Excess Debt Service Funds					
Total Transfers	<u>48,674,519.00</u>	<u>52,500,000.00</u>	<u>68,000,000.00</u>	<u>68,000,000.00</u>	<u>70,000,000.00</u>
Ending Balance	<u>2,008,103.97</u>	<u>3,329,935.57</u>	<u>11,918,291.61</u>	<u>4,912,539.84</u>	<u>4,812,539.84</u>

Appendix I

The Texas A&M University System Prairie View A&M University Available University Funds - Operating/Excellence

	<u>Actual FY 1999</u>	<u>Actual FY 2000</u>	<u>Actual FY 2001</u>	<u>Budget FY 2002</u>	<u>Budget FY 2003</u>
Beginning Balance	11,332,389.73	9,488,426.22	8,529,939.14	9,933,261.51	6,530,499.51
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Total, Revenues and Other Additions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages	2,034,035.23	1,695,236.92	1,992,834.19	6,128,554.00	4,942,908.00
Other Operating Expenses	4,125,165.94	4,521,136.85	3,934,705.82	6,055,788.00	4,011,504.00
Capital Outlay	1,597,619.47	1,576,908.78	1,169,137.62	718,420.00	485,465.00
Debt Service					
Net Increase in Accrued Compensable Absences Payable					
Total, Expenditures and Other Deductions	<u>7,756,820.64</u>	<u>7,793,282.55</u>	<u>7,096,677.63</u>	<u>12,902,762.00</u>	<u>9,439,877.00</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes					
Revenue Financing System Notes					
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University					
Prairie View A&M University	5,912,857.13	6,834,795.47	8,500,000.00	9,500,000.00	9,700,000.00
System Administrative and General Offices					
Return of Excess Debt Service Funds					
Total Transfers	<u>5,912,857.13</u>	<u>6,834,795.47</u>	<u>8,500,000.00</u>	<u>9,500,000.00</u>	<u>9,700,000.00</u>
Ending Balance	<u>9,488,426.22</u>	<u>8,529,939.14</u>	<u>9,933,261.51</u> *	<u>6,530,499.51</u>	<u>6,790,622.51</u>

* Includes \$3.9 million set aside in an Endowed Scholars Matching fund.

Appendix J

The Texas A&M University System System Administrative and General Offices Available University Funds - Operating

	<u>Actual FY 1999</u>	<u>Actual FY 2000</u>	<u>Actual FY 2001</u>	<u>Budget FY 2002</u>	<u>Budget FY 2003</u>
Beginning Balance	654,811.69	632,582.08	483,753.31	468,408.59	317,574.59
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable	95,820.18				
Total, Revenues and Other Additions	<u>95,820.18</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages	3,183,506.05	3,058,603.32	4,339,976.80	4,448,064.00	4,450,000.00
Other Operating Expenses	1,318,287.68	1,367,915.58	1,516,362.30	1,752,770.00	1,750,000.00
Capital Outlay	16,256.06	65,070.64	28,342.62	50,000.00	50,000.00
Debt Service					
Net Increase in Accrued Compensable Absences Payable		57,239.23	230,663.00		
Total, Expenditures and Other Deductions	<u>4,518,049.79</u>	<u>4,548,828.77</u>	<u>6,115,344.72</u>	<u>6,250,834.00</u>	<u>6,250,000.00</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes					
Revenue Financing System Notes					
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University					
Prairie View A&M University					
System Administrative and General Offices	4,400,000.00	4,400,000.00	6,100,000.00	6,100,000.00	6,200,000.00
Return of Excess Debt Service Funds					
Total Transfers	<u>4,400,000.00</u>	<u>4,400,000.00</u>	<u>6,100,000.00</u>	<u>6,100,000.00</u>	<u>6,200,000.00</u>
Ending Balance	<u><u>632,582.08</u></u>	<u><u>483,753.31</u></u>	<u><u>468,408.59</u></u>	<u><u>317,574.59</u></u>	<u><u>267,574.59</u></u>