

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



***Report to the Legislature and Governor
Pursuant to Rider No. 4 to Available University Fund
Appropriations
Senate Bill 1, 79th Legislature, Regular Session,
Page III-58***

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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, land acquisitions with or without permanent improvements, 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 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 the AUF 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.

2. ENDING FUND BALANCE

As of August 31, 2005, the cash balance of the AUF Reserve was \$79,017,612. This balance does not include receivables of \$548,890. After adjusting for the receivables, the AUF Reserve fund balance is \$79,566,502. Of this balance, \$185,092 has been set aside for Revenue Financing System debt service needs for fiscal year 2006. In addition to these reserve amounts, a \$308,935,000 Due From Other Agencies is being reported that represents the funding commitment from the Permanent University Fund for bond principal outstanding at year end, payable in varying annual increments through fiscal year 2028.

In addition to the Reserve fund balance, an additional \$445,355 is set aside for emergency needs by the A&M System Offices. Texas A&M University and Prairie View A&M University had ending fund balances of \$41,484,248 and \$10,745,667, respectively. The Prairie View A&M University ending fund balance includes \$3.13 million set aside in an Endowed Scholars Matching fund.

Summaries of fiscal year 2003 through fiscal year 2005 actual activity, as well as fiscal year 2006 and 2007 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, agencies, health science center and the A&M System Offices. The Plan is updated continuously and is formally reviewed and approved by the Chancellor twice each year.

The Plan includes capital equipment; land purchases with or without permanent improvements; 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 cost 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 2003	Actual FY 2004	Actual FY 2005	Budget FY 2006	Budget FY 2007
Prairie View A&M University	\$ 20,849,393	\$ -	\$ -	\$ -	\$ -
Tarleton State University	2,345,452		3,763,005	3,236,995	5,250,000
Texas A&M University	2,803,000		40,000	8,794,246	77,940,000
Texas A&M University at Galveston	3,226,000		1,397,688	1,202,312	1,950,000
TAMUS Health Science Center	3,240,000		357,763	3,329,481	5,400,000
Texas Agricultural Experiment Station	759,673		1,190,173	1,109,827	1,800,000
Texas Cooperative Extension	211,080		372,543	277,457	4,500,000
Texas Engineering Experiment Station	595,025		1,020,231	1,479,769	1,800,000
Texas Engineering Extension Service	3,790,000		637,244		600,000
Texas Forest Service	1,804,648		308,651	184,971	300,000
Texas Transportation Institute	375,729		580,058	369,942	1,170,000
System Administrative and General Offices			332,644	15,000	
To be determined					8,340,000
TOTAL	\$ 40,000,000	\$ -	\$ 10,000,000	\$ 20,000,000	\$ 109,050,000

[a] The Texas A&M University System did not issue any debt during FY 2004.

Appendix D

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

TAMUS Member	Actual FY 2003	Actual FY 2004	Actual FY 2005	Budget FY 2006	Budget FY 2007
Prairie View A&M University	\$ 3,014,203	\$ 1,763,468	\$ 2,927,540	\$ 3,717,704	\$ 6,191,649
Tarleton State University	9,500,457	2,711,106	8,636,239	5,675,372	7,975,463
Texas A&M University	13,320,350	7,754,346	8,144,830	9,949,120	22,007,694
Texas A&M University at Galveston	1,544,550	849,500	1,051,806	825,218	3,272,216
TAMUS Health Science Center	1,939,869	412,901	668,912	4,645,233	6,703,100
Texas Agricultural Experiment Station	4,028,468	1,213,989	3,140,553	2,069,693	3,239,934
Texas Cooperative Extension	929,897	255,501	780,194	368,061	476,248
Texas Engineering Experiment Station	2,293,675	1,018,676	2,392,235	1,887,459	1,904,897
Texas Engineering Extension Service	974,783	262,342	1,511,925	239,369	823,905
Texas Forest Service	712,988	231,627	723,416	400,383	534,757
Texas Transportation Institute	1,327,767	353,986	1,163,285	609,005	848,376
System Administrative and General Offices	1,604,138	586,188	1,832,352	286,232	859,506
To be determined					261,000
TOTAL	\$ 41,191,145	\$ 17,413,630	\$ 32,973,287	\$ 30,672,849	\$ 55,098,745

Appendix E

THE TEXAS A&M UNIVERSITY SYSTEM Summary of Available University Funds August 31, 2005

Cash in State Treasury		\$ 142,329,957.11
Reimbursement Due from State		(4,271,292.69)
Accrued Interest Receivable		406,632.42
Due From Other Agencies-Final FY 05 distribution		142,257.20
Due From Other Agencies		308,935,000.00
Accounts Payable		(2,016,086.56)
Accrued Liabilities		(296,500.48)
Due to Other Parts		(25,929.62)
Accrued Compensable Absences Payable		(4,027,266.02)
Permanent University Fund Bonds Payable		<u>(308,935,000.00)</u>
 Total Fund Balance		 <u><u>\$ 132,241,771.36</u></u>
 Fund Balance composed of:		
Reserve for Future Operations		
Revenue Financing System Debt Service	\$ 185,092.00	
Operating Budget Supplement		
Texas A&M University	82,476,500.00	
Prairie View A&M University	12,143,000.00	
System Administrative and General Offices	6,820,000.00	
Anticipated Use of Future Revenues	<u>(22,058,090.35)</u>	\$ 79,566,501.65
 Budget Carryforward to FY 2006		
Texas A&M University		
Operating	\$ 13,032,331.71	
Excellence	<u>28,451,916.11</u>	41,484,247.82
System Administrative and General Offices		
Operating		445,354.90
Prairie View A&M University		
Operating	\$ 1,761,398.34	
Excellence	<u>8,984,268.65</u>	<u>10,745,666.99</u>
 Total Fund Balance		 <u><u>\$ 132,241,771.36</u></u>

Appendix F

**THE TEXAS A&M UNIVERSITY SYSTEM
Available University Funds - Reserve**

	<u>Actual FY 2003</u>	<u>Actual FY 2004</u>	<u>Actual FY 2005</u>	<u>Budget FY 2006</u>	<u>Budget FY 2007</u>
Beginning Balance	\$ 75,931,240.64	\$ 75,073,145.84	\$ 92,656,203.76	\$ 79,566,501.65	\$ 66,661,287.65
Revenues and Other Additions					
Available University Fund Income Allocation	123,188,356.22	118,536,627.51	116,502,389.38	121,612,000.00	121,612,418.00
State Treasury Interest Earnings	3,944,694.17	2,260,060.38	4,820,695.54	1,380,000.00	2,387,000.00
Miscellaneous Income	-	-			
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions	<u>127,133,050.39</u>	<u>120,796,687.89</u>	<u>121,323,084.92</u>	<u>122,992,000.00</u>	<u>123,999,418.00</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages					
Other Operating Expenses					
Capital Outlay					
Debt Service					
Other					
Total, Expenditures and Other Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	(54,114,000.00)	(15,933,135.50)	(32,789,813.61)	(34,272,622.00)	(52,005,636.00)
Revenue Financing System Notes	(187,414.00)	(180,494.47)	(183,473.42)	(185,092.00)	
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University	(70,000,000.00)	(70,000,000.00)	(82,476,500.00)	(82,476,500.00)	(82,476,500.00)
Prairie View A&M University	(10,600,000.00)	(10,900,000.00)	(12,143,000.00)	(12,143,000.00)	(12,143,000.00)
System Administrative and General Offices	(6,200,000.00)	(6,200,000.00)	(6,820,000.00)	(6,820,000.00)	(6,820,000.00)
Return of Excess Debt Service Funds	13,110,268.81				
Total Transfers	<u>(127,991,145.19)</u>	<u>(103,213,629.97)</u>	<u>(134,412,787.03)</u>	<u>(135,897,214.00)</u>	<u>(153,445,136.00)</u>
Ending Balance	\$ <u>75,073,145.84</u>	\$ <u>92,656,203.76</u>	\$ <u>79,566,501.65</u>	\$ <u>66,661,287.65</u>	\$ <u>37,215,569.65</u>

Appendix G

**THE TEXAS A&M UNIVERSITY SYSTEM
Available University Funds - Debt Service**

	<u>Actual FY 2003</u>	<u>Actual FY 2004</u>	<u>Actual FY 2005</u>	<u>Budget FY 2006</u>	<u>Budget FY 2007</u>
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Total, Revenues and Other Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages					
Other Operating Expenses					
Capital Outlay					
Debt Service	41,191,145.19	17,306,221.19	34,192,115.03	36,416,868.00	55,098,745.00
Other		107,408.78	81,172.00		
Total, Expenditures and Other Deductions	<u>41,191,145.19</u>	<u>17,413,629.97</u>	<u>34,273,287.03</u>	<u>36,416,868.00</u>	<u>55,098,745.00</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	54,114,000.00	17,233,135.50	34,089,813.61	36,231,776.00	55,098,745.00
Revenue Financing System Notes	187,414.00	180,494.47	183,473.42	185,092.00	
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	(13,110,268.81)	-			
Total Transfers	<u>41,191,145.19</u>	<u>17,413,629.97</u>	<u>34,273,287.03</u>	<u>36,416,868.00</u>	<u>55,098,745.00</u>
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Appendix H

**THE TEXAS A&M UNIVERSITY SYSTEM
Texas A&M University
Available University Funds - Operating/Excellence**

	<u>Actual FY 2003</u>	<u>Actual FY 2004</u>	<u>Actual FY 2005</u>	<u>Budget FY 2006</u>	<u>Budget FY 2007</u>
Beginning Balance	\$ 23,233,099.05	\$ 24,752,353.89	\$ 42,334,093.56	\$ 41,484,247.82	\$ 27,401,593.82
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Total, Revenues and Other Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages	26,546,494.98	29,974,783.56	29,635,428.86	30,500,000.00	30,500,000.00
Other Operating Expenses	37,124,158.26	15,488,316.76	47,593,498.13	42,500,000.00	40,500,000.00
Capital Outlay	2,345,574.84	2,824,842.67	3,297,418.75	19,100,000.00	11,700,000.00
Debt Service					
Other	2,464,517.08	2,830,317.34	1,500,000.00	2,500,000.00	2,500,000.00
Total, Expenditures and Other Deductions	<u>68,480,745.16</u>	<u>51,118,260.33</u>	<u>82,026,345.74</u>	<u>94,600,000.00</u>	<u>85,200,000.00</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes		(1,300,000.00)	(1,300,000.00)	(1,959,154.00)	(3,093,109.00)
Revenue Financing System Notes					
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University	70,000,000.00	70,000,000.00	82,476,500.00	82,476,500.00	82,476,500.00
Prairie View A&M University					
System Administrative and General Offices					
Return of Excess Debt Service Funds					
Total Transfers	<u>70,000,000.00</u>	<u>68,700,000.00</u>	<u>81,176,500.00</u>	<u>80,517,346.00</u>	<u>79,383,391.00</u>
Ending Balance	<u>\$ 24,752,353.89</u>	<u>\$ 42,334,093.56</u>	<u>\$ 41,484,247.82</u>	<u>\$ 27,401,593.82</u>	<u>\$ 21,584,984.82</u>

Appendix I

**THE TEXAS A&M UNIVERSITY SYSTEM
Prairie View A&M University
Available University Funds - Operating/Excellence**

	Actual FY 2003	Actual FY 2004	Actual FY 2005	Budget FY 2006	Budget FY 2007
Beginning Balance	\$ 12,966,422.51	\$ 9,479,919.99	\$ 9,702,098.76	\$ 10,745,666.99	\$ 9,498,077.99
Restatements	(4,819,514.50)				
Beginning Balance, Restated	<u>8,146,908.01</u>	<u>9,479,919.99</u>	<u>9,702,098.76</u>	<u>10,745,666.99</u>	<u>9,498,077.99</u>
Revenues and Other Addition					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable	-		589,259.00		
Total, Revenues and Other Addition	<u>-</u>	<u>-</u>	<u>589,259.00</u>	<u>-</u>	<u>-</u>
Expenditures and Other Deduction					
Operating					
Salaries and Wages	1,372,760.01	4,539,935.08	4,538,371.79	4,676,177.00	4,816,462.00
Other Operating Expenses	6,088,659.01	5,500,302.90	6,833,809.00	8,503,132.00	8,351,538.00
Capital Outlay	1,147,048.32	(574,639.34)	316,509.98	211,280.00	247,484.00
Debt Service					
Other	658,520.68	1,212,222.59			
Total, Expenditures and Other Deduction	<u>9,266,988.02</u>	<u>10,677,821.23</u>	<u>11,688,690.77</u>	<u>13,390,589.00</u>	<u>13,415,484.00</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	10,600,000.00	10,900,000.00	12,143,000.00	12,143,000.00	12,143,000.00
System Administrative and General Offices					
Return of Excess Debt Service Funds					
Total Transfers	<u>10,600,000.00</u>	<u>10,900,000.00</u>	<u>12,143,000.00</u>	<u>12,143,000.00</u>	<u>12,143,000.00</u>
Ending Balance	<u><u>\$ 9,479,919.99</u></u>	<u><u>\$ 9,702,098.76</u></u>	<u><u>\$ 10,745,666.99</u></u>	<u><u>\$ 9,498,077.99</u></u>	<u><u>\$ 8,225,593.99</u></u>

[a]

[a] Includes \$3.13 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 2003</u>	<u>Actual FY 2004</u>	<u>Actual FY 2005</u>	<u>Budget FY 2006</u>	<u>Budget FY 2007</u>
Beginning Balance	\$ 421,747.87	\$ 411,912.98	\$ 323,119.07	\$ 445,354.90	\$ 285,354.90
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income	260,767.94				
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions	<u>260,767.94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages	3,975,658.87	4,143,355.39	4,537,914.09	4,550,000.00	4,550,000.00
Other Operating Expenses	2,466,658.18	2,133,825.36	2,131,066.74	2,400,000.00	2,400,000.00
Capital Outlay	28,285.78	11,613.16	28,783.34	30,000.00	30,000.00
Debt Service					
Other					
Total, Expenditures and Other Deductions	<u>6,470,602.83</u>	<u>6,288,793.91</u>	<u>6,697,764.17</u>	<u>6,980,000.00</u>	<u>6,980,000.00</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	6,200,000.00	6,200,000.00	6,820,000.00	6,820,000.00	6,820,000.00
Return of Excess Debt Service Funds					
Total Transfers	<u>6,200,000.00</u>	<u>6,200,000.00</u>	<u>6,820,000.00</u>	<u>6,820,000.00</u>	<u>6,820,000.00</u>
Ending Balance	<u>\$ 411,912.98</u>	<u>\$ 323,119.07</u>	<u>\$ 445,354.90</u>	<u>\$ 285,354.90</u>	<u>\$ 125,354.90</u>