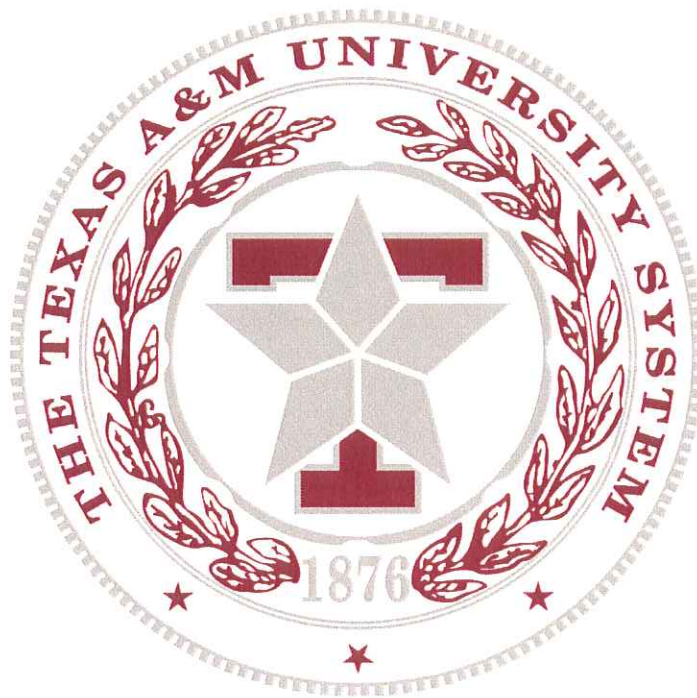


THE TEXAS A&M UNIVERSITY SYSTEM
AVAILABLE UNIVERSITY FUND REPORT

For the Fiscal Year Ended August 31, 2007



Report to the Legislature and Governor
Pursuant to Rider No. 4 to Available University Fund
Appropriations
House Bill 1, 80th Legislature, Regular Session,
Page III-58

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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.

Permanent University Fund (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 and the College of Pharmacy)
- Texas Agricultural Experiment Station
- Texas Cooperative Extension
- Texas Engineering Experiment Station
- Texas Engineering Extension Service
- Texas Forest 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 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, the distribution of AUF income to Texas A&M University and Prairie View A&M University is based on each member's respective weighted semester credit hours over a 12-month period. Weighted semester credit hours take into consideration the cost of each of the courses offered and delivered in Higher Education and is the basis used by the State Legislature to appropriate for formula funding.

Ending Fund Balances

As of August 31, 2007, the cash balance of the AUF reserve was \$76,757,617 and the AUF reserve fund balance was \$77,760,278. Of this balance, \$186,095 has been set aside for Revenue Financing System debt service needs for fiscal year 2008. In addition to these reserve amounts, a \$4,219,197 Due From Other Agencies and a \$405,970,000 Interfund Receivable is being reported that represent the funding commitment from the Permanent University Fund for bond and note payables outstanding at year end, which are payable in varying annual increments through fiscal year 2036.

In addition to the reserve fund balance, an additional \$689,817 is set aside for operational needs by the A&M System Offices. Texas A&M University and Prairie View A&M University had ending fund balances of \$26,007,058 and \$15,030,774, respectively.

Summaries of fiscal year 2005 through fiscal year 2007 actual activity, as well as fiscal year 2008 and 2009 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 A&M 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 throughout the year and is formally reviewed and approved by the Board 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 Plan published 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 2005	Actual FY 2006	Actual FY 2007	Budget FY 2008	Budget FY 2009
Prairie View A&M University	\$ -	\$ 4,984,506	\$ -	\$ -	\$ -
Tarleton State University	3,763,005	4,696,259	-	6,500,000	12,500,000
Texas A&M University	40,000	97,061,642	-	55,400,000	139,500,000
Texas A&M University at Galveston	1,397,688	1,744,078	-	1,300,000	1,300,000
TAMUS Health Science Center	357,763	11,911,942	-	10,740,000	69,140,000
Texas Agricultural Experiment Station	1,190,173	1,476,213	-	7,700,000	14,700,000
Texas Cooperative Extension	372,543	536,715	-	300,000	300,000
Texas Engineering Experiment Station	1,020,231	1,610,145	-	1,629,000	1,629,000
Texas Engineering Extension Service	637,244	536,715	-	217,200	217,200
Texas Forest Service	308,651	267,866	-	200,000	200,000
Texas Transportation Institute	580,058	393,919	-	4,075,800	325,800
Texas A&M University System Offices	332,644	-	-	-	-
TOTAL	\$ 10,000,000	\$ 125,220,000	\$ -	\$ 88,062,000	\$ 239,812,000

[a]

[a] The Texas A&M University System did not issue any debt during FY 2007.

Appendix D

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

TAMUS Member	Actual FY 2005	Actual FY 2006	Actual FY 2007	Budget FY 2008	Budget FY 2009
Prairie View A&M University	\$ 2,927,540	\$ 3,724,936	\$ 6,996,229	\$ 7,037,656	\$ 6,066,622
Tarleton State University	8,636,239	7,557,381	4,716,866	8,416,015	9,478,940
Texas A&M University	8,144,830	9,730,857	21,746,923	33,809,766	36,471,512
Texas A&M University at Galveston	1,051,806	2,824,503	1,734,131	3,088,857	2,856,509
TAMUS Health Science Center	668,912	3,000,164	3,303,564	8,713,592	13,675,899
Texas Agricultural Experiment Station	3,140,553	2,650,396	1,821,545	3,167,747	4,587,606
Texas Cooperative Extension	780,194	593,681	198,759	506,664	397,929
Texas Engineering Experiment Station	2,392,235	483,460	612,152	2,165,653	1,971,603
Texas Engineering Extension Service	1,511,925	259,485	391,086	593,977	503,302
Texas Forest Service	723,416	2,457,077	361,052	568,426	479,221
Texas Transportation Institute	1,163,285	509,399	528,916	888,162	1,058,267
Texas A&M University System Offices	1,832,352	301,364	859,478	860,186	215,306
TOTAL	\$ 32,973,287	\$ 34,092,703	\$ 43,270,701	\$ 69,816,701	\$ 77,762,716

Appendix E

**THE TEXAS A&M UNIVERSITY SYSTEM
Summary of Available University Funds
August 31, 2007**

Cash in State Treasury		\$	119,430,413.78
Reimbursement Due from State			(10,237,606.46)
Accrued Interest Receivable			528,922.30
Due From Other Agencies			4,219,196.74
Due From Other Funds			21,127,911.25
Interfund Receivable from University of Texas			405,970,000.00
Accounts Payable			(8,064,681.88)
Accrued Liabilities			(273,866.78)
Accrued Compensable Absences Payable			(3,617,512.90)
Permanent University Fund Bonds & Notes Payable			<u>(409,594,848.52)</u>
 Total Fund Balance		 <u>\$</u>	 <u>119,487,927.53</u>
 Fund Balance composed of:			
Reserve for Future Operations			
Revenue Financing System Debt Service	\$		186,095.00
Operating Budget Supplement			
Texas A&M University		84,365,298.00	
Prairie View A&M University		12,150,000.00	
System Administrative and General Offices		12,000,000.00	
Anticipated Use of Future Revenues		<u>(30,941,114.07)</u>	\$ 77,760,278.93
 Budget Carryforward to FY 2007			
Texas A&M University			
Operating			1,922,089.00
Excellence			24,084,968.52
System Administrative and General Offices			
Operating			689,817.05
Prairie View A&M University			
Operating	\$	3,626,428.41	
Excellence		<u>11,404,345.62</u>	<u>15,030,774.03</u>
 Total Fund Balance		 <u>\$</u>	 <u>119,487,927.53</u>

Appendix F

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

	Actual FY 2005	Actual FY 2006	Actual FY 2007	Budget FY 2008	Budget FY 2009
Beginning Balance	\$ 92,656,203.76	\$ 79,566,501.65	\$ 76,458,841.74	\$ 77,760,278.93	\$ 59,193,279.93
Revenues and Other Additions					
Available University Fund Income Allocation	116,502,389.38	122,927,049.36	138,219,816.66	153,350,000.00	170,227,351.00
State Treasury Interest Earnings	4,820,695.54	8,197,493.43	7,770,535.12	6,415,000.00	4,883,000.00
Miscellaneous Income	-	-	-	-	-
Net Decrease in Accrued Compensable Absences Payable	-	-	-	-	-
Total, Revenues and Other Additions	<u>121,323,084.92</u>	<u>131,124,542.79</u>	<u>145,990,351.78</u>	<u>159,765,000.00</u>	<u>175,110,351.00</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	(32,789,813.61)	(32,607,611.17)	(43,063,862.15)	(69,630,606.00)	(77,574,605.00)
Revenue Financing System Notes	(183,473.42)	(185,091.53)	(185,552.44)	(186,095.00)	(188,111.00)
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University	(82,476,500.00)	(82,476,500.00)	(82,476,500.00)	(84,365,298.00)	(82,500,000.00)
Prairie View A&M University	(12,143,000.00)	(12,143,000.00)	(12,143,000.00)	(12,150,000.00)	(12,150,000.00)
System Administrative and General Offices	(6,820,000.00)	(6,820,000.00)	(6,820,000.00)	(12,000,000.00)	(12,000,000.00)
Return of Excess Debt Service Funds					
Total Transfers	<u>(134,412,787.03)</u>	<u>(134,232,202.70)</u>	<u>(144,688,914.59)</u>	<u>(178,331,999.00)</u>	<u>(184,412,716.00)</u>
Ending Balance	\$ <u>79,566,501.65</u>	\$ <u>76,458,841.74</u>	\$ <u>77,760,278.93</u>	\$ <u>59,193,279.93</u>	\$ <u>49,890,914.93</u>

Appendix G

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

	Actual FY 2005	Actual FY 2006	Actual FY 2007	Budget FY 2008	Budget FY 2009
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Total, Revenues and Other Additions	-	-	-	-	-
Expenditures and Other Deductions					
Operating					
Salaries and Wages					
Other Operating Expenses					
Capital Outlay					
Debt Service	34,192,115.03	34,092,702.70	43,249,414.59	69,816,701.00	77,762,716.00
Other	81,172.00				
Total, Expenditures and Other Deductions	34,273,287.03	34,092,702.70	43,249,414.59	69,816,701.00	77,762,716.00
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	34,089,813.61	33,907,611.17	43,063,862.15	69,630,606.00	77,574,605.00
Revenue Financing System Notes	183,473.42	185,091.53	185,552.44	186,095.00	188,111.00
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					
Total Transfers	34,273,287.03	34,092,702.70	43,249,414.59	69,816,701.00	77,762,716.00
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix H

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

	Actual FY 2005	Actual FY 2006	Actual FY 2007	Budget FY 2008	Budget FY 2009
Beginning Balance	\$ 42,334,093.56	\$ 41,484,247.82	\$ 21,074,391.19	\$ 26,007,057.52	\$ 19,601,057.52
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Total, Revenues and Other Additions	-	-	-	-	-
Expenditures and Other Deductions					
Operating					
Salaries and Wages	29,635,428.86	34,270,558.57	35,805,758.52	38,500,000.00	38,500,000.00
Other Operating Expenses	47,593,498.13	40,321,128.10	31,040,592.66	42,500,000.00	42,500,000.00
Capital Outlay	3,297,418.75	3,759,053.34	9,197,482.49	8,771,298.00	2,449,000.00
Debt Service					
Other	1,500,000.00	23,079,348.82	1,500,000.00	1,000,000.00	1,000,000.00
Total, Expenditures and Other Deductions	82,026,345.74	101,430,088.83	77,543,833.67	90,771,298.00	84,449,000.00
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	(1,300,000.00)	(1,300,000.00)			
Revenue Financing System Notes					
Non-Mandatory Transfers		(156,267.80)			
Transfer Technology Commercialization Operations to System					
Allocations for Operations and Enhancements					
Texas A&M University	82,476,500.00	82,476,500.00	82,476,500.00	84,365,298.00	82,500,000.00
Prairie View A&M University					
System Administrative and General Offices					
Return of Excess Debt Service Funds					
Total Transfers	81,176,500.00	81,020,232.20	82,476,500.00	84,365,298.00	82,500,000.00
Ending Balance	\$ 41,484,247.82	\$ 21,074,391.19	\$ 26,007,057.52	\$ 19,601,057.52	\$ 17,652,057.52

Appendix I

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

	Actual FY 2005	Actual FY 2006	Actual FY 2007	Budget FY 2008	Budget FY 2009
Beginning Balance					
Restatements	\$ 9,702,098.76	\$ 10,745,666.99	\$ 12,943,085.06	\$ 15,030,774.03	\$ 14,090,774.03
Beginning Balance, Restated	<u>9,702,098.76</u>	<u>10,745,666.99</u>	<u>12,943,085.06</u>	<u>15,030,774.03</u>	<u>14,090,774.03</u>
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income	589,259.00		254,302.00		
Net Decrease in Accrued Compensable Absences Payable	589,259.00	-	254,302.00	-	-
Total, Revenues and Other Additions					
Expenditures and Other Deductions					
Operating					
Salaries and Wages	4,538,371.79	4,022,017.73	3,967,302.76	3,755,000.00	3,755,000.00
Other Operating Expenses	6,833,809.00	5,597,926.41	5,319,532.63	8,560,000.00	6,735,000.00
Capital Outlay	316,509.98	269,983.79	213,748.46	275,000.00	6,850,000.00
Debt Service		55,654.00	809,029.18	500,000.00	500,000.00
Other	11,688,690.77	9,945,581.93	10,309,613.03	13,090,000.00	17,840,000.00
Total, Expenditures and Other Deductions					
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	12,143,000.00	12,143,000.00	12,143,000.00	12,150,000.00	12,150,000.00
System Administrative and General Offices					
Return of Excess Debt Service Funds					
Total Transfers	<u>12,143,000.00</u>	<u>12,143,000.00</u>	<u>12,143,000.00</u>	<u>12,150,000.00</u>	<u>12,150,000.00</u>
Ending Balance	<u>\$ 10,745,666.99</u>	<u>\$ 12,943,085.06</u>	<u>\$ 15,030,774.03</u>	<u>\$ 14,090,774.03</u>	<u>\$ 8,400,774.03</u>

Appendix J

THE TEXAS A&M UNIVERSITY SYSTEM
Texas A&M University System Offices
Available University Funds - Operating

	Actual FY 2005	Actual FY 2006	Actual FY 2007	Budget FY 2008	Budget FY 2009
Beginning Balance	\$ 323,119.07	\$ 445,354.90	\$ 604,615.63	\$ 689,817.05	\$ 2,346,817.05
Revenues and Other Additions					
Available University Fund Income Allocation					
Available University Fund Income Adjustment from UTS - FY 98					
State Treasury Interest Earnings					
Miscellaneous Income			54,837.32		
Net Decrease in Accrued Compensable Absences Payable			54,837.32		
Total Revenues and Other Additions	-	-	-	-	-
Expenditures and Other Deductions					
Operating					
Salaries and Wages	4,537,914.09	4,699,222.23	5,138,479.50	5,688,000.00	8,827,000.00
Other Operating Expenses	2,131,066.74	2,117,784.84	1,651,156.40	4,655,000.00	5,207,000.00
Capital Outlay	28,783.34				
Debt Service					
Other					
Total Expenditures and Other Deductions	6,697,764.17	6,817,007.07	6,789,635.90	10,343,000.00	14,034,000.00
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes					
Revenue Financing System Notes					
Non-Mandatory Transfers		156,267.80			
Transfer Technology Commercialization Operations from A&M					
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					
Total Transfers	6,820,000.00	6,820,000.00	6,820,000.00	12,000,000.00	12,000,000.00
	6,820,000.00	6,976,267.80	6,820,000.00	12,000,000.00	12,000,000.00
Ending Balance	\$ 445,354.90	\$ 604,615.63	\$ 689,817.05	\$ 2,346,817.05	\$ 312,817.05