

The Texas A&M University System

System Office of Budgets and Accounting

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December 1, 2008

The Honorable Rick Perry
Office of the Governor
1100 San Jacinto
State Insurance Building
Austin, Texas 78701-1935

The Honorable David Dewhurst
Office of the Lieutenant Governor
1200 Congress Avenue, Suite, E2.13
Austin, Texas 78701-1950

The Honorable Tom Craddick
Texas House of Representatives
1100 N. Congress Ave, Suite 2W.13
State Capitol
Austin, Texas 78701-1949

Gentlemen:

House Bill 1, 80th Legislative Session, includes a rider to the Available University Fund (AUF) appropriation which requires a special report on expenditures of the AUF. Submitted herewith for your review and information is The Texas A&M University System Available University Fund Report for fiscal year 2008.

If you have questions on any of the information submitted in this report, please feel free to contact this office.

Sincerely,

B. J. Grain
Associate Vice Chancellor
for Budgets and Accounting

cc: Ms. Mary Katherine Stout, Governor's Budget Office
Mr. John O'Brien, Legislative Budget Office
Dr. Michael D. McKinney
Dr. Stanton Calvert
Mr. Terry Pankratz
Ms. Mary Lee Hodge
Mr. Greg Anderson

Universities

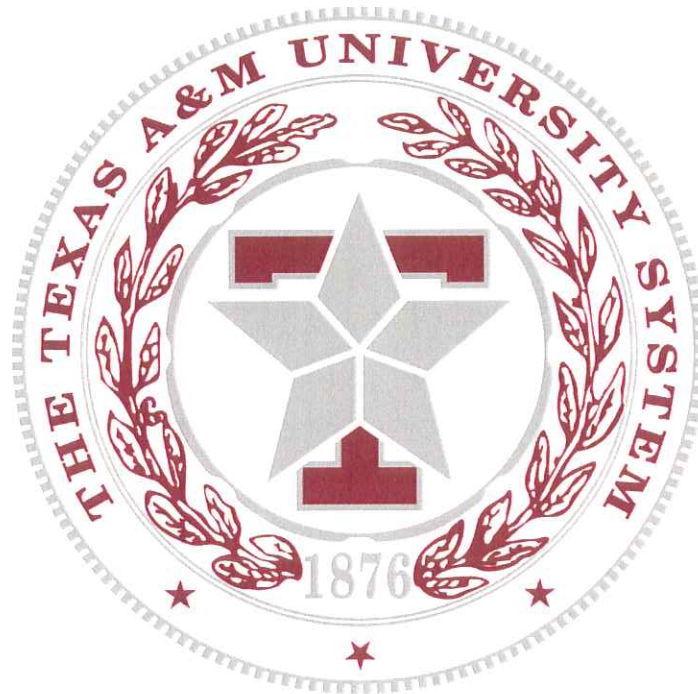
Prairie View A&M University • Tarleton State University • Texas A&M International University • Texas A&M University • Texas A&M University at Galveston • Texas A&M University-Commerce
Texas A&M University-Corpus Christi • Texas A&M University-Kingsville • Texas A&M University-Texarkana • West Texas A&M University

Agencies

Texas Agricultural Experiment Station • Texas Cooperative Extension • Texas Engineering Experiment Station • Texas Engineering Extension Service • Texas Forest Service
Texas Transportation Institute • Texas Veterinary Medical Diagnostic Laboratory • Texas Wildlife Damage Management Service

THE TEXAS A&M UNIVERSITY SYSTEM
AVAILABLE UNIVERSITY FUND REPORT

For the Fiscal Year Ended August 31, 2008



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-61 and 62

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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 AgriLife Research
- Texas AgriLife Extension Service
- 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. Weighted semester credit hours take into consideration the cost of each of the courses offered and taught in higher education and is the basis used by the State Legislature to appropriate formula funding.

Ending Fund Balances

As of August 31, 2008, the AUF Reserve fund balance was \$68,265,369. Of this balance, \$188,111 has been set aside for Revenue Financing System debt service needs for fiscal year 2009. In addition to these reserve amounts, a \$12,471,514 Due From Other Agencies and a \$382,630,000 Interfund Receivable are 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, \$2,770,593 is set aside for operational needs by the A&M System Offices, and Texas A&M University and Prairie View A&M University had excellence set-asides of \$18,513,518 and \$25,978,218, respectively.

Summaries of fiscal year 2006 through fiscal year 2008 actual activity, as well as fiscal year 2009 and 2010 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 and is formally reviewed and approved by the Board once 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. 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 each fiscal year.

Appendix B – PUF Bond Ratings

Pursuant to constitutional provisions, the A&M System may sell bonds or notes 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 2006	Actual FY 2007	Actual FY 2008	Budget FY 2009	Budget FY 2010
Prairie View A&M University	\$ 4,984,506	\$ -	\$ -	\$ -	\$ -
Tarleton State University	4,696,259		7,000,000	12,000,000	3,500,000
Texas A&M University	97,061,642		24,907,650	85,000,000	39,038,000
Texas A&M University at Galveston	1,744,078		2,600,000		14,450,000
TAMUS Health Science Center	11,911,942		8,740,000	68,000,000	19,140,000
Texas AgriLife Research	1,476,213		9,890,000		1,200,000
Texas AgriLife Extension Service	536,715		600,000		300,000
Texas Engineering Experiment Station	1,610,145		2,772,000		1,272,000
Texas Engineering Extension Service	536,715		600,000		400,000
Texas Forest Service	267,866		400,000		200,000
Texas Transportation Institute	393,919		7,665,350		500,000
Texas A&M University System Offices			125,000		
TOTAL	\$ 125,220,000	\$ -	\$ 65,300,000	\$ 165,000,000	\$ 80,000,000

[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 2006	Actual FY 2007	Actual FY 2008	Budget FY 2009	Budget FY 2010
Prairie View A&M University	\$ 3,724,936	\$ 6,996,229	\$ 7,512,750	\$ 6,066,875	\$ 6,031,808
Tarleton State University	7,557,381	4,716,866	8,216,664	8,588,558	6,760,912
Texas A&M University	9,730,857	21,746,923	27,629,053	45,477,975	30,392,365
Texas A&M University at Galveston	2,824,503	1,734,131	3,028,736	2,793,219	2,572,880
TAMUS Health Science Center	3,000,164	3,303,564	6,811,029	11,495,465	8,231,283
Texas AgriLife Research	2,650,396	1,821,545	3,020,984	8,280,067	3,897,762
Texas AgriLife Extension Service	593,681	198,759	492,783	383,317	154,087
Texas Engineering Experiment Station	483,460	612,152	2,095,657	1,534,795	562,936
Texas Engineering Extension Service	259,485	391,086	585,254	675,773	370,140
Texas Forest Service	2,457,077	361,052	559,183	469,491	316,287
Texas Transportation Institute	509,399	528,916	827,939	944,406	562,494
Texas A&M University System Offices	301,364	859,478	860,520	340,479	215,306
TOTAL	\$ 34,092,703	\$ 43,270,701	\$ 61,640,552	\$ 87,050,420	\$ 60,068,260

Appendix E

**THE TEXAS A&M UNIVERSITY SYSTEM
Summary of Available University Funds
August 31, 2008**

Cash in State Treasury		\$ 127,815,177.92
Reimbursement Due from State		459,339.10
Cash in Bank-Treasury Safekeeping Trust Co.		400,000.00
Accrued Interest Receivable		345,844.65
Prepaid Expenses		505,073.96
Due From Other Agencies		12,471,514.49
Interfund Receivable from University of Texas		382,630,000.00
Accounts Payable		(8,901,628.93)
Accrued Liabilities		(421,776.28)
Accrued Compensable Absences Payable		(3,940,966.98)
Permanent University Fund Bonds & Notes Payable		<u>(395,834,879.12)</u>
 Total Fund Balance		 <u><u>\$ 115,527,698.81</u></u>
 Fund Balance composed of:		
Reserve for Future Operations		
Revenue Financing System Debt Service	\$ 188,111.00	
Operating Budget Supplement		
Texas A&M University	90,000,000.00	
Prairie View A&M University	12,150,000.00	
Texas A&M University System Offices (original)	12,000,000.00	
Texas A&M University System Offices (Teaching Excellence Awards for TAMU and PVAMU)	1,100,000.00	
Anticipated Use of Future Revenues	<u>(47,172,741.87)</u>	\$ 68,265,369.13
 Budget Carryforward to FY 2009		
Texas A&M University		
Operating	\$ 942,916.97	
Excellence	<u>17,570,600.95</u>	18,513,517.92
Prairie View A&M University		
Operating	\$ 3,410,932.87	
Excellence	<u>22,567,285.58</u>	25,978,218.45
Texas A&M University System Offices		
Operating		<u>2,770,593.31</u>
 Total Fund Balance		 <u><u>\$ 115,527,698.81</u></u>

Appendix F

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

	Actual FY 2006	Actual FY 2007	Actual FY 2008	Budget FY 2009	Budget FY 2010
Beginning Balance	\$ 79,566,501.65	\$ 76,458,841.74	\$ 77,760,278.93	\$ 68,265,369.13	\$ 52,959,490.13
Revenues and Other Additions					
Available University Fund Income Allocation	122,927,049.36	138,219,816.66	154,688,545.31	181,362,541.00	176,733,146.00
State Treasury Interest Earnings	8,197,493.43	7,770,535.12	6,567,293.24	5,632,000.00	4,369,000.00
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions	<u>131,124,542.79</u>	<u>145,990,351.78</u>	<u>161,255,838.55</u>	<u>186,994,541.00</u>	<u>181,102,146.00</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	(32,607,611.17)	(43,063,862.15)	(61,249,356.00)	(86,862,309.00)	(59,879,051.00)
Revenue Financing System Notes	(185,091.53)	(185,552.44)	(186,094.35)	(188,111.00)	(189,209.00)
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University	(82,476,500.00)	(82,476,500.00)	(83,300,000.00)	(90,000,000.00)	(82,500,000.00)
Prairie View A&M University	(12,143,000.00)	(12,143,000.00)	(12,150,000.00)	(12,150,000.00)	(12,150,000.00)
Texas A&M University System Offices (original)	(6,820,000.00)	(6,820,000.00)	(12,000,000.00)	(12,000,000.00)	(12,000,000.00)
Texas A&M University System Offices					
-2008 Infrastructure Transfer			(1,865,298.00)	(1,100,000.00)	
-2009 Teaching Excellence Awards for TAMU and PVAMU					
Return of Excess Debt Service Funds					
Total Transfers	<u>(134,232,202.70)</u>	<u>(144,688,914.59)</u>	<u>(170,750,748.35)</u>	<u>(202,300,420.00)</u>	<u>(166,718,260.00)</u>
Ending Balance	\$ <u>76,458,841.74</u>	\$ <u>77,760,278.93</u>	\$ <u>68,265,369.13</u>	\$ <u>52,959,490.13</u>	\$ <u>67,343,376.13</u>

Appendix G

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

	Actual FY 2006	Actual FY 2007	Actual FY 2008	Budget FY 2009	Budget FY 2010
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	34,092,702.70	43,249,414.59	61,640,552.48	87,050,420.00	60,068,260.00
Other					
Total, Expenditures and Other Deductions	<u>34,092,702.70</u>	<u>43,249,414.59</u>	<u>61,640,552.48</u>	<u>87,050,420.00</u>	<u>60,068,260.00</u>
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	33,907,611.17	43,063,862.15	61,454,458.13	86,862,309.00	59,879,051.00
Revenue Financing System Notes	185,091.53	185,552.44	186,094.35	188,111.00	189,209.00
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University					
Prairie View A&M University					
Texas A&M University System Offices					
Return of Excess Debt Service Funds					
Total Transfers	<u>34,092,702.70</u>	<u>43,249,414.59</u>	<u>61,640,552.48</u>	<u>87,050,420.00</u>	<u>60,068,260.00</u>
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix H

THE TEXAS A&M UNIVERSITY SYSTEM

Texas A&M University

Available University Funds - Operating/Excellence

	Actual FY 2006	Actual FY 2007	Actual FY 2008	Budget FY 2009	Budget FY 2010
Beginning Balance, September 1, 2007	\$ 41,484,247.82	\$ 21,074,391.19	\$ 26,007,057.52	\$ 18,513,517.92	\$ 11,073,785.92
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	34,270,558.57	35,805,758.52	39,072,276.62	41,000,397.00	42,000,000.00
Other Operating Expenses	40,321,128.10	31,040,592.66	45,819,297.71	45,548,000.00	40,860,000.00
Capital Outlay	3,759,053.34	9,197,482.49	4,901,965.27	10,891,335.00	2,440,000.00
Debt Service	23,079,348.82	1,500,000.00	1,000,000.00		
Other	101,430,088.83	77,543,833.67	90,793,539.60	97,439,732.00	85,300,000.00
Total, Expenditures and Other Deductions	(1,300,000.00)				
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	(1,300,000.00)				
Revenue Financing System Notes					
Non-Mandatory Transfers					
Transfer Technology Commercialization Operations to System	(156,267.80)				
Allocations for Operations and Enhancements					
Texas A&M University	82,476,500.00	82,476,500.00	83,300,000.00	90,000,000.00	82,500,000.00
Prairie View A&M University					
Texas A&M University System Offices					
Return of Excess Debt Service Funds					
Total Transfers	81,020,232.20	82,476,500.00	83,300,000.00	90,000,000.00	82,500,000.00
Ending Balance	\$ 21,074,391.19	\$ 26,007,057.52	\$ 18,513,517.92	\$ 11,073,785.92	\$ 8,273,785.92

Appendix I

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

	Actual FY 2006	Actual FY 2007	Actual FY 2008	Budget FY 2009	Budget FY 2010
Beginning Balance	\$ 10,745,666.99	\$ 12,943,085.06	\$ 15,030,774.03	\$ 25,978,218.45	\$ 20,003,368.45
Restatements *			10,828,838.00		
Beginning Balance, Restated	<u>10,745,666.99</u>	<u>12,943,085.06</u>	<u>25,859,612.03</u>	<u>25,978,218.45</u>	<u>20,003,368.45</u>
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income		254,302.00			
Net Decrease in Accrued Compensable Absences Payable		254,302.00			
Total, Revenues and Other Additions	<u>-</u>	<u>254,302.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages	4,022,017.73	3,967,302.76	3,550,180.85	4,153,825.00	4,153,400.00
Other Operating Expenses	5,597,926.41	5,319,532.63	8,224,951.24	12,293,100.00	8,597,000.00
Capital Outlay	269,983.79	213,748.46	18,803.49	1,677,925.00	4,200,000.00
Debt Service					
Other	55,654.00	809,029.18	237,458.00		
Total, Expenditures and Other Deductions	<u>9,945,581.93</u>	<u>10,309,613.03</u>	<u>12,031,393.58</u>	<u>18,124,850.00</u>	<u>16,950,400.00</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	12,143,000.00	12,143,000.00	12,150,000.00	12,150,000.00	12,150,000.00
Texas A&M University System Offices					
Return of Excess Debt Service Funds					
Total Transfers	<u>12,143,000.00</u>	<u>12,143,000.00</u>	<u>12,150,000.00</u>	<u>12,150,000.00</u>	<u>12,150,000.00</u>
Ending Balance	<u>\$ 12,943,085.06</u>	<u>\$ 15,030,774.03</u>	<u>\$ 25,978,218.45</u>	<u>\$ 20,003,368.45</u>	<u>\$ 15,202,968.45</u>

*Restatement attributable to prior year error correction.

Appendix J

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

	Actual FY 2006	Actual FY 2007	Actual FY 2008	Budget FY 2009	Budget FY 2010
Beginning Balance	\$ 445,354.90	\$ 604,615.63	\$ 689,817.05	\$ 2,770,593.31	\$ 2,770,593.31
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	85,996.08		
Net Decrease in Accrued Compensable Absences Payable		54,837.32	85,996.08		
Total, Revenues and Other Additions	-	54,837.32	85,996.08	-	-
Expenditures and Other Deductions					
Operating					
Salaries and Wages	4,699,222.23	5,138,479.50	7,889,812.41	9,011,234.00	9,011,234.00
Other Operating Expenses	2,117,784.84	1,651,156.40	1,903,945.28	2,988,766.00	2,988,766.00
Capital Outlay			1,871,658.00	1,100,000.00	
Teaching Excellence Program					
Debt Service					
Other					
Total, Expenditures and Other Deductions	6,817,007.07	6,789,635.90	11,665,415.69	13,100,000.00	12,000,000.00
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes			(205,102.13)		
Revenue Financing System Notes					
Non-Mandatory Transfers					
Transfer Technology Commercialization Operations from A&M	156,267.80	-			
Allocations for Operations and Enhancements					
Texas A&M University					
Prairie View A&M University					
Texas A&M University System Offices (original)	6,820,000.00	6,820,000.00	12,000,000.00	12,000,000.00	12,000,000.00
Texas A&M University System Offices					
-2008 Infrastructure Transfer			1,865,298.00	1,100,000.00	
-2009 Teaching Excellence Awards for TAMU and PVAMU					
Return of Excess Debt Service Funds					
Total Transfers	6,976,267.80	6,820,000.00	13,660,195.87	13,100,000.00	12,000,000.00
Ending Balance	\$ 604,615.63	\$ 689,817.05	\$ 2,770,593.31	\$ 2,770,593.31	\$ 2,770,593.31