



THE TEXAS A&M UNIVERSITY SYSTEM
Associate Vice Chancellor for Budgets and Accounting

December 1, 2009

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 Joe Straus
Speaker of the Texas House
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 2009.

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

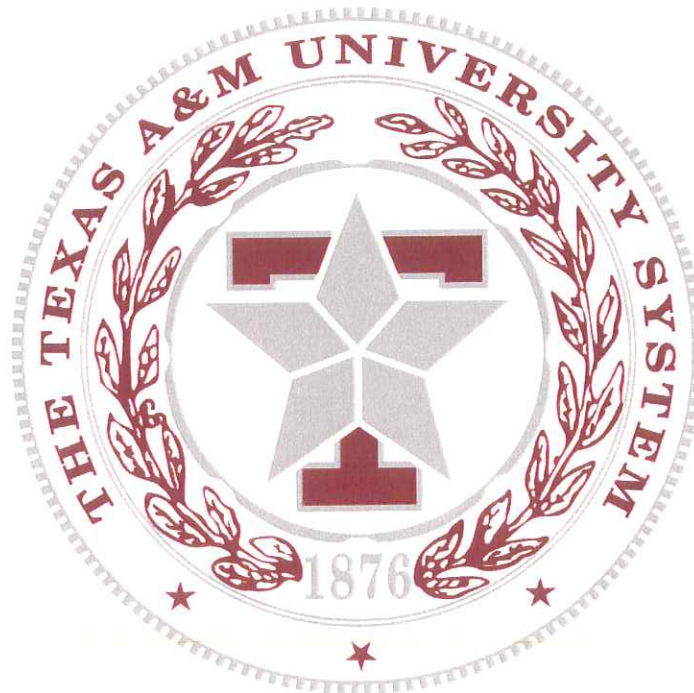
Sincerely,

B. J. Crain
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. Greg Anderson
Ms. Mary Lee Hodge
Mr. Terry Pankratz

THE TEXAS A&M UNIVERSITY SYSTEM
AVAILABLE UNIVERSITY FUND REPORT

For the Fiscal Year Ended August 31, 2009



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 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
- Texas A&M University System 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, 2009, the AUF Reserve fund balance was \$51,456,372. Of this balance, \$189,209 has been set aside for Revenue Financing System debt service needs for fiscal year 2010. In addition to these reserve amounts, a \$2,965,377 Due From Other Agencies and a \$577,105,000 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, \$5,120,936 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 \$31,148,994 and \$25,664,567, respectively.

Summaries of fiscal year 2007 through fiscal year 2009 actual activity, as well as fiscal year 2010 and 2011 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 2007	Actual FY 2008	Actual FY 2009	Budget FY 2010	Budget FY 2011
Prairie View A&M University	\$ -	\$ -	\$ -	\$ -	\$ -
Tarleton State University		7,000,000		18,500,000	3,500,000
Texas A&M University		24,907,650	121,501,000	98,303,155	20,000,000
Texas A&M University at Galveston		2,600,000		13,150,000	
TAMUS Health Science Center		8,740,000	80,808,000	5,400,000	5,400,000
Texas AgriLife Research		9,890,000	3,484,000	27,218,000	1,208,000
Texas AgriLife Extension Service		600,000		300,000	300,000
Texas Engineering Experiment Station		2,772,000		1,392,000	1,392,000
Texas Engineering Extension Service		600,000		400,000	400,000
Texas Forest Service		400,000		200,000	200,000
Texas Transportation Institute		7,665,350	3,712,000	400,000	400,000
Texas A&M University System Offices		125,000			
TOTAL	\$ -	\$ 65,300,000	\$ 209,505,000	\$ 165,263,155	\$ 32,800,000

[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 2007	Actual FY 2008	Actual FY 2009	Budget FY 2010	Budget FY 2011
Prairie View A&M University	\$ 6,996,229	\$ 7,512,750	\$ 6,066,874	\$ 6,044,732	\$ 6,536,004
Tarleton State University	4,716,866	8,216,664	8,588,558	6,175,622	8,448,842
Texas A&M University	21,746,923	27,629,053	49,895,060	25,378,158	28,333,733
Texas A&M University at Galveston	1,734,131	3,028,736	2,793,218	1,739,710	2,591,696
TAMUS Health Science Center	3,303,564	6,811,029	7,415,464	8,629,385	8,705,420
Texas AgriLife Research	1,821,545	3,020,984	7,290,065	2,861,642	4,826,124
Texas AgriLife Extension Service	198,759	492,783	383,317	154,087	225,284
Texas Engineering Experiment Station	612,152	2,095,657	1,534,795	567,684	874,333
Texas Engineering Extension Service	391,086	585,254	675,774	370,140	465,076
Texas Forest Service	361,052	559,183	469,491	317,307	348,426
Texas Transportation Institute	528,916	827,939	944,405	566,576	583,182
Texas A&M University System Offices	859,478	860,520	340,479	215,306	215,306
Unallocated					2,179,613
TOTAL	\$ 43,270,701	\$ 61,640,552	\$ 86,397,500	\$ 53,020,349	\$ 64,333,039

Appendix E

**THE TEXAS A&M UNIVERSITY SYSTEM
Summary of Available University Funds
August 31, 2009**

Cash in State Treasury		\$ 115,744,822.59
Reimbursement Due from State		1,281,939.52
Cash in Bank-Treasury Safekeeping Trust Co.		400,000.00
Accrued Interest Receivable		142,475.46
Prepaid Expenses		728,716.74
Due From Other Agencies		2,965,376.69
Interfund Receivable from University of Texas		577,105,000.00
Accounts Payable		(2,999,494.48)
Accrued Liabilities		(291,688.73)
Accrued Compensable Absences Payable		(4,581,278.25)
Permanent University Fund Bonds & Notes Payable		<u>(577,105,000.00)</u>
 Total Fund Balance		 <u><u>\$ 113,390,869.54</u></u>
 Fund Balance composed of:		
Reserve for Future Operations		
Revenue Financing System Debt Service	\$ 189,209.00	
Operating Budget Supplement		
Texas A&M University	82,500,000.00	
Prairie View A&M University	12,150,000.00	
Texas A&M University System Offices (original)	10,528,535.00	
Texas A&M University System Offices		
Teaching Excellence Awards for TAMU and PVAMU	500,000.00	
Academic Scholars Enhancement Program	1,500,000.00	
Anticipated Use of Future Revenues	<u>(55,911,371.99)</u>	\$ 51,456,372.01
 Budget Carryforward to FY 2010		
Texas A&M University		
Operating	\$ 11,984,575.86	
Excellence	<u>19,164,417.99</u>	31,148,993.85
Prairie View A&M University		
Operating	\$ 2,777,781.56	
Excellence	<u>22,886,785.86</u>	25,664,567.42
Texas A&M University System Offices		
Operating		<u>5,120,936.26</u>
 Total Fund Balance		 <u><u>\$ 113,390,869.54</u></u>

Appendix F

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

	Actual FY 2007	Actual FY 2008	Actual FY 2009	Budget FY 2010	Budget FY 2011
Beginning Balance	\$ 76,458,841.74	\$ 77,760,278.93	\$ 68,265,369.13	\$ 51,456,372.01	\$ 70,370,290.01
Revenues and Other Additions					
Available University Fund Income Allocation	138,219,816.66	154,688,545.31	182,334,972.80	176,539,802.00	170,156,841.00
State Treasury Interest Earnings	7,770,535.12	6,567,293.24	2,503,530.10	2,573,000.00	3,519,000.00
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions	<u>145,990,351.78</u>	<u>161,255,838.55</u>	<u>184,838,502.90</u>	<u>179,112,802.00</u>	<u>173,675,841.00</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	(43,063,862.15)	(61,249,356.00)	(86,209,389.80)	(52,831,140.00)	(64,145,441.00)
Permanent University Fund Bonds and Notes	(185,552.44)	(186,094.35)	(188,110.22)	(189,209.00)	(187,598.00)
Revenue Financing System Notes					
Non-Mandatory Transfers					
Allocations for Operations and Enhancements	(82,476,500.00)	(83,300,000.00)	(90,000,000.00)	(82,500,000.00)	(82,500,000.00)
Texas A&M University					
Texas A&M University-Teaching Excellence Awards	(12,143,000.00)	(12,150,000.00)	(12,150,000.00)	(12,150,000.00)	(12,150,000.00)
Prairie View A&M University					
Prairie View A&M University-Teaching Excellence Awards	(6,820,000.00)	(12,000,000.00)	(115,082.09)	(10,528,535.00)	(10,528,535.00)
Texas A&M University System Offices (original)			(12,000,000.00)	(500,000.00)	(550,000.00)
Teaching Excellence Awards-Unallocated			(592,941.36)	(1,500,000.00)	(1,500,000.00)
Academic Scholars Enhancement Program - Unallocated					
Texas A&M University System Offices		(1,865,298.00)			
-2008 Infrastructure Transfer					
Return of Excess Debt Service Funds	(144,688,914.59)	(170,750,748.35)	(201,647,500.02)	(160,198,884.00)	(171,561,574.00)
Total Transfers	<u>(144,688,914.59)</u>	<u>(170,750,748.35)</u>	<u>(201,647,500.02)</u>	<u>(160,198,884.00)</u>	<u>(171,561,574.00)</u>
Ending Balance	<u>\$ 77,760,278.93</u>	<u>\$ 68,265,369.13</u>	<u>\$ 51,456,372.01</u>	<u>\$ 70,370,290.01</u>	<u>\$ 72,484,557.01</u>

Appendix G

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

	Actual FY 2007	Actual FY 2008	Actual FY 2009	Budget FY 2010	Budget FY 2011
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	43,249,414.59	61,640,552.48	86,192,397.89	53,020,349.00	64,333,039.00
Other					
Total, Expenditures and Other Deductions	43,249,414.59	61,640,552.48	86,192,397.89	53,020,349.00	64,333,039.00
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	43,063,862.15	61,454,458.13	86,004,287.67	52,831,140.00	64,145,441.00
Revenue Financing System Notes	185,552.44	186,094.35	188,110.22	189,209.00	187,598.00
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	43,249,414.59	61,640,552.48	86,192,397.89	53,020,349.00	64,333,039.00
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix H

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

	Actual FY 2007	Actual FY 2008	Actual FY 2009	Budget FY 2010	Budget FY 2011
Beginning Balance	\$ 21,074,391.19	\$ 26,007,057.52	\$ 18,513,517.92	\$ 31,148,993.85	\$ 18,914,234.85
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	35,805,758.52	39,072,276.62	35,491,056.46	41,000,000.00	44,000,000.00
Other Operating Expenses	31,040,592.66	45,819,297.71	34,075,870.77	47,000,000.00	40,500,000.00
Capital Outlay	9,197,482.49	4,901,965.27	7,797,596.84	6,734,759.00	6,487,251.00
Debt Service	1,500,000.00	1,000,000.00			
Other	77,543,833.67	90,793,539.60	77,364,524.07	94,734,759.00	90,987,251.00
Total, Expenditures and Other Deductions					
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes					
Revenue Financing System Notes					
Non-Mandatory Transfers					
Transfer Technology Commercialization Operations to System					
Allocations for Operations and Enhancements					
Texas A&M University	82,476,500.00	83,300,000.00	90,000,000.00	82,500,000.00	82,500,000.00
Prairie View A&M University					
Texas A&M University System Offices					
Return of Excess Debt Service Funds					
Total Transfers	82,476,500.00	83,300,000.00	90,000,000.00	82,500,000.00	82,500,000.00
Ending Balance	\$ 26,007,057.52	\$ 18,513,517.92	\$ 31,148,993.85	\$ 18,914,234.85	\$ 10,426,983.85

Appendix I

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

	Actual FY 2007	Actual FY 2008	Actual FY 2009	Budget FY 2010	Budget FY 2011
Beginning Balance	\$ 12,943,085.06	\$ 15,030,774.03	\$ 25,978,218.45	\$ 25,664,567.42	\$ 14,466,047.42
Restatements *		10,828,838.00			
Beginning Balance, Restated	<u>12,943,085.06</u>	<u>25,859,612.03</u>	<u>25,978,218.45</u>	<u>25,664,567.42</u>	<u>14,466,047.42</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					
Total, Revenues and Other Additions	<u>254,302.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures and Other Deductions					
Operating					
Salaries and Wages	3,967,302.76	3,550,180.85	3,781,539.30	4,234,400.00	4,234,400.00
Other Operating Expenses	5,319,532.63	8,224,951.24	7,218,553.11	9,109,050.00	8,815,600.00
Capital Outlay	213,748.46	18,803.49	1,424,738.62	10,005,070.00	697,960.00
Debt Service	809,029.18	237,458.00	38,820.00		
Other	10,309,613.03	12,031,393.58	12,463,651.03	23,348,520.00	13,747,960.00
Total, Expenditures and Other Deductions	<u>10,309,613.03</u>	<u>12,031,393.58</u>	<u>12,463,651.03</u>	<u>23,348,520.00</u>	<u>13,747,960.00</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		12,150,000.00	12,150,000.00	12,150,000.00	12,150,000.00
Prairie View A&M University	12,143,000.00				
Texas A&M University System Offices					
Return of Excess Debt Service Funds					
Total Transfers	<u>12,143,000.00</u>	<u>12,150,000.00</u>	<u>12,150,000.00</u>	<u>12,150,000.00</u>	<u>12,150,000.00</u>
Ending Balance	<u>\$ 15,030,774.03</u>	<u>\$ 25,978,218.45</u>	<u>\$ 25,664,567.42</u>	<u>\$ 14,466,047.42</u>	<u>\$ 12,868,087.42</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 2007	Actual FY 2008	Actual FY 2009	Budget FY 2010	Budget FY 2011
Beginning Balance	\$ 604,615.63	\$ 689,817.05	\$ 2,770,593.31	\$ 5,120,936.26	\$ 5,120,936.26
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					
Expenditures and Other Deductions					
Operating					
Salaries and Wages	5,138,479.50	7,889,812.41	9,291,749.58	8,164,481.00	8,164,481.00
Other Operating Expenses	1,651,156.40	1,903,945.28	1,045,122.01	2,364,054.00	2,364,054.00
Capital Outlay		1,871,658.00	78,065.49		
Teaching Excellence Program			507,058.64	500,000.00	550,000.00
Academic Scholars Enhancement Program				1,500,000.00	1,500,000.00
Debt Service			32,763.46		
Other			10,954,759.18	12,528,535.00	12,578,535.00
Total, Expenditures and Other Deductions	6,789,635.90	11,665,415.69	205,102.13	12,528,535.00	12,578,535.00
Transfers					
Mandatory Transfers for Debt Service		(205,102.13)			
Permanent University Fund Bonds and Notes					
Revenue Financing System Notes					
Non-Mandatory Transfers					
Transfer Technology Commercialization Operations from A&M					
Allocations for Operations and Enhancements					
Texas A&M University			391,976.55		
Texas A&M University-Teaching Excellence Awards					
Prairie View A&M University			115,082.09		
Prairie View A&M University-Teaching Excellence Awards			12,000,000.00	10,528,535.00	10,528,535.00
Texas A&M University System Offices (original)	6,820,000.00	12,000,000.00	592,941.36	500,000.00	550,000.00
Teaching Excellence Awards-Unallocated				1,500,000.00	1,500,000.00
Academic Scholars Enhancement Program - Unallocated					
Texas A&M University System Offices		1,865,298.00			
-2008 Infrastructure Transfer					
Return of Excess Debt Service Funds	6,820,000.00	13,660,195.87	13,305,102.13	12,528,535.00	12,578,535.00
Total Transfers	\$ 689,817.05	\$ 2,770,593.31	\$ 5,120,936.26	\$ 5,120,936.26	\$ 5,120,936.26
Ending Balance					