



THE TEXAS A&M UNIVERSITY SYSTEM
Chief Business Officer

December 1, 2010

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

The Honorable David Dewhurst
Office of the Lieutenant Governor
1200 Congress Avenue, Suite 2E.13
Austin, Texas 78701

The Honorable Joe Straus
Speaker of the Texas House
Texas House of Representatives
1100 N. Congress Ave, Room CAP 2W.13
State Capitol
Austin, Texas 78701

Gentlemen:

Senate Bill 1, 81st 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 2010.

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

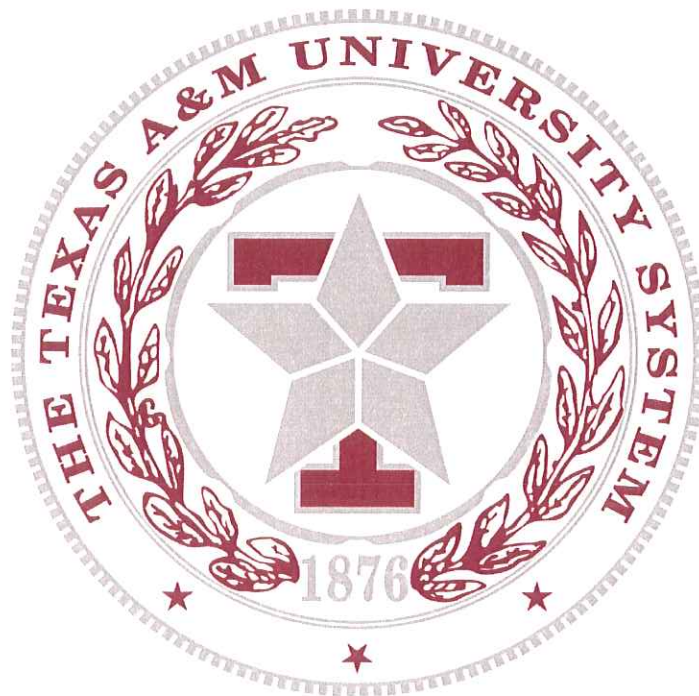
Sincerely,

B. J. Crain
Chief Business Officer

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

THE TEXAS A&M UNIVERSITY SYSTEM
AVAILABLE UNIVERSITY FUND REPORT

For the Fiscal Year Ended August 31, 2010



Report to the Legislature and Governor
Pursuant to Rider No. 4 to Available University Fund
Appropriations
Senate Bill 1, 81st Legislature, Regular Session,
Page III-66 and 67

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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 A&M University-Central Texas
- Texas A&M University-San Antonio
- 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, 2010, the AUF Reserve fund balance was \$71,926,691, of this balance, \$187,598 has been set aside for Revenue Financing System debt service needs for fiscal year 2011. In addition to these reserve amounts, a \$3,655,946 Due From Other Agencies and a \$611,895,000 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, \$6,208,178 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 \$32,915,750 and \$16,389,938 respectively.

Summaries of fiscal year 2008 through fiscal year 2010 actual activity, as well as fiscal year 2011 and 2012 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 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011	Budget FY 2012
Prairie View A&M University	\$ -	\$ -	\$ -	\$ 7,500,000	\$ 17,500,000
Tarleton State University	7,000,000		3,500,000	18,500,000	28,500,000
Texas A&M University	24,907,650	121,501,000	33,279,331	65,000,000	
Texas A&M University at Galveston	2,600,000		3,150,000	9,000,000	1,000,000
TAMUS Health Science Center	8,740,000	80,808,000	5,400,000	6,100,000	31,100,000
Texas A&M University - Central Texas					25,000,000
Texas A&M University - San Antonio					25,000,000
Texas AgriLife Research	9,890,000	3,484,000	1,208,000	32,526,000	1,208,000
Texas AgriLife Extension	600,000		300,000	300,000	300,000
Texas Engineering Experiment Station	2,772,000		1,392,000	1,392,000	1,392,000
Texas Engineering Extension Service	600,000		400,000	400,000	400,000
Texas Forest Service	400,000		200,000	200,000	200,000
Texas Transportation Institute	7,665,350	3,712,000	1,100,000	400,000	400,000
System Administrative and General Offices	125,000		70,669		
TOTAL	\$ 65,300,000	\$ 209,505,000	\$ 50,000,000	\$ 141,318,000	\$ 132,000,000

[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 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011	Budget FY 2012
Prairie View A&M University	\$ 7,512,750	\$ 6,066,874	\$ 6,044,983	\$ 6,986,004	\$ 6,140,690
Tarleton State University	8,216,664	8,588,558	5,049,771	7,648,842	5,560,246
Texas A&M University	27,629,053	49,895,060	21,366,354	31,189,791	33,522,548
Texas A&M University at Galveston	3,028,736	2,793,218	1,476,743	1,802,696	929,754
TAMUS Health Science Center	6,811,029	7,415,464	7,361,956	8,877,143	11,280,692
Texas A&M University - Central Texas				1,500,000	1,500,000
Texas A&M University - San Antonio					1,500,000
Texas AgriLife Research	3,020,984	7,290,065	3,734,122	5,952,842	4,613,106
Texas AgriLife Extension	492,783	383,317	83,291	225,284	247,723
Texas Engineering Experiment Station	2,095,657	1,534,795	262,931	896,795	1,056,086
Texas Engineering Extension Service	585,254	675,774	275,760	465,076	506,350
Texas Forest Service	559,183	469,491	270,122	348,426	359,391
Texas Transportation Institute	827,939	944,405	862,353	1,052,748	911,412
System Administrative and General Offices	860,520	340,479	215,417	231,180	731,005
TOTAL	\$ 61,640,552	\$ 86,397,500	\$ 47,003,803	\$ 67,176,827	\$ 68,859,003

Appendix E

**THE TEXAS A&M UNIVERSITY SYSTEM
Summary of Available University Funds
August 31, 2010**

Cash in State Treasury		\$	121,284,206.77
Cash in Bank-Treasury Safekeeping Trust Co.			364,486.60
Accrued Interest Receivable			120,647.51
Prepaid Expenses			2,128,909.79
Due from Other Funds			5,713,332.82
Due From Other Agencies			3,655,946.14
Interfund Receivable from University of Texas			611,895,000.00
Accounts Payable			(770,906.99)
Accrued Liabilities			(325,874.19)
Accrued Compensable Absences Payable			(4,730,191.50)
Permanent University Fund Bonds & Notes Payable			<u>(611,895,000.00)</u>
 Total Fund Balance		 \$	 <u><u>127,440,556.95</u></u>
 Fund Balance composed of:			
Reserve for Future Operations			
Revenue Financing System Debt Service	\$		187,598.00
Operating Budget Supplement			
Texas A&M University		89,000,000.00	
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		650,000.00	
Academic Scholars Enhancement Program			
Anticipated Use of Future Revenues		<u>(40,589,441.77)</u>	\$ 71,926,691.23
 Budget Carryforward to FY 2010			
Texas A&M University			
Operating	\$	5,681,167.30	
Excellence		<u>27,234,582.49</u>	32,915,749.79
Prairie View A&M University			
Operating	\$	1,828,540.84	
Excellence		<u>14,561,397.01</u>	16,389,937.85
Texas A&M University System Offices			
Operating		6,208,178.08	<u>6,208,178.08</u>
 Total Fund Balance		 \$	 <u><u>127,440,556.95</u></u>

Appendix F

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

	Actual FY 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011	Budget FY 2012
Beginning Balance	\$ 77,760,278.93	\$ 68,265,369.13	\$ 51,456,372.01	\$ 71,926,691.23	\$ 67,809,933.23
Revenues and Other Additions					
Available University Fund Income Allocation	154,688,545.31	182,334,972.80	176,727,245.67	171,798,604.00	165,948,238.00
State Treasury Interest Earnings	6,567,293.24	2,503,530.10	1,925,411.60	3,590,000.00	3,384,000.00
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions	<u>161,255,838.55</u>	<u>184,838,502.90</u>	<u>178,652,657.27</u>	<u>175,388,604.00</u>	<u>169,332,238.00</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	(61,249,356.00)	(86,209,389.80)	(46,814,594.72)	(66,989,229.00)	(68,670,992.00)
Revenue Financing System Notes	(186,094.35)	(188,110.22)	(189,208.33)	(187,598.00)	(188,011.00)
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University	(83,300,000.00)	(90,000,000.00)	(88,500,000.00)	(89,000,000.00)	(89,000,000.00)
Texas A&M University-Teaching Excellence Awards		(391,976.55)	(508,527.18)		
Prairie View A&M University	(12,150,000.00)	(12,150,000.00)	(12,150,000.00)	(12,150,000.00)	(14,643,000.00)
Prairie View A&M University-Teaching Excellence Awards		(115,082.09)	(84,353.50)		
Texas A&M University System Offices (original)	(12,000,000.00)	(12,000,000.00)	(10,528,535.00)	(10,528,535.00)	(12,000,000.00)
Teaching Excellence Awards-Unallocated		(592,941.36)	592,880.68	(650,000.00)	(650,000.00)
Academic Scholars Enhancement Program - Unallocated					
Texas A&M University System Offices	(1,865,298.00)				
-2008 Infrastructure Transfer					
Return of Excess Debt Service Funds	(170,750,748.35)	(201,647,500.02)	(158,182,338.05)	(179,505,362.00)	(185,152,003.00)
Total Transfers	<u>\$ 68,265,369.13</u>	<u>\$ 51,456,372.01</u>	<u>\$ 71,926,691.23</u>	<u>\$ 67,809,933.23</u>	<u>\$ 51,990,168.23</u>
Ending Balance					

Appendix G

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

	Actual FY 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011	Budget FY 2012
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	61,640,552.48	86,192,397.89	47,003,803.05	67,176,827.00	68,859,003.00
Other					
Total, Expenditures and Other Deductions	\$ 61,640,552.48	\$ 86,192,397.89	\$ 47,003,803.05	\$ 67,176,827.00	\$ 68,859,003.00
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	61,454,458.13	86,004,287.67	46,814,594.72	66,989,229.00	68,670,992.00
Revenue Financing System Notes	186,094.35	188,110.22	189,208.33	187,598.00	188,011.00
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	\$ 61,640,552.48	\$ 86,192,397.89	\$ 47,003,803.05	\$ 67,176,827.00	\$ 68,859,003.00
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix H

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

	Actual FY 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011	Budget FY 2012
Beginning Balance	\$ 26,007,057.52	\$ 18,513,517.92	\$ 31,148,993.85	\$ 32,915,749.79	\$ 35,748,702.79
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	39,072,276.62	35,491,056.46	60,909,997.80	65,975,980.00	67,000,000.00
Other Operating Expenses	45,819,297.71	34,075,870.77	19,989,477.59	18,338,470.00	24,500,000.00
Capital Outlay	4,901,965.27	7,797,596.84	5,833,768.67	1,902,597.00	2,500,000.00
Debt Service					
Other	1,000,000.00				
Total, Expenditures and Other Deductions	90,793,539.60	77,364,524.07	86,733,244.06	86,167,047.00	94,000,000.00
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	83,300,000.00	90,000,000.00	88,500,000.00	89,000,000.00	89,000,000.00
Prairie View A&M University					
Texas A&M University System Offices					
Return of Excess Debt Service Funds					
Total Transfers	83,300,000.00	90,000,000.00	88,500,000.00	89,000,000.00	89,000,000.00
Ending Balance	\$ 18,513,517.92	\$ 31,148,993.85	\$ 32,915,749.79	\$ 35,748,702.79	\$ 30,748,702.79

Appendix I

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

	Actual FY 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011	Budget FY 2012
Beginning Balance					
Restatements *	\$ 15,030,774.03	\$ 25,978,218.45	\$ 25,664,567.42	\$ 16,389,937.85	\$ 13,708,137.85
Beginning Balance, Restated	10,828,838.00	25,978,218.45	25,664,567.42	16,389,937.85	13,708,137.85
	25,859,612.03				
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions	-	-	-	-	-
Expenditures and Other Deductions					
Operating					
Salaries and Wages	3,550,180.85	3,781,539.30	3,841,403.17	4,262,819.00	4,262,821.00
Other Operating Expenses	8,224,951.24	7,218,553.11	8,382,673.21	9,709,481.00	9,067,190.00
Capital Outlay	18,803.49	1,424,738.62	9,054,507.19	859,500.00	380,000.00
Debt Service					
Other	237,458.00	38,820.00	146,046.00		
Total, Expenditures and Other Deductions	12,031,393.58	12,463,651.03	21,424,629.57	14,831,800.00	13,710,011.00
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	12,150,000.00	12,150,000.00	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	12,150,000.00	12,150,000.00	12,150,000.00	12,150,000.00	12,150,000.00
Ending Balance	\$ 25,978,218.45	\$ 25,664,567.42	\$ 16,389,937.85	\$ 13,708,137.85	\$ 12,148,126.85

*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 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011	Budget FY 2012
Beginning Balance	\$ 689,817.05	\$ 2,770,593.31	\$ 5,120,936.26	\$ 6,208,178.08	\$ 6,208,178.08
Revenues and Other Additions					
Available University Fund Income Allocation					
Available University Fund Income Adjustment from UTS - FY 98					
State Treasury Interest Earnings					
Miscellaneous Income	85,996.08				
Net Decrease in Accrued Compensable Absences Payable	85,996.08				
Total, Revenues and Other Additions					
Expenditures and Other Deductions					
Operating					
Salaries and Wages	7,889,812.41	9,291,749.58	7,618,480.06	8,164,481.00	9,100,000.00
Other Operating Expenses	1,903,945.28	1,045,122.01	1,177,744.06	2,364,054.00	2,900,000.00
Capital Outlay	1,871,658.00	78,065.49	40,910.46		
Teaching Excellence Program		507,058.64	592,880.68	650,000.00	650,000.00
Academic Scholars Enhancement Program			11,277.92		
Debt Service		32,763.46			
Other					
Total, Expenditures and Other Deductions	11,665,415.69	10,954,759.18	9,441,293.18	11,178,535.00	12,650,000.00
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes		205,102.13			
Revenue Financing System Notes	(205,102.13)				
Non-Mandatory Transfers					
Transfer Technology Commercialization Operations from A&M					
Allocations for Operations and Enhancements					
Texas A&M University					
Texas A&M University-Teaching Excellence Awards		391,976.55	508,527.18		
Prairie View A&M University					
Prairie View A&M University-Teaching Excellence Awards		115,082.09	84,353.50		
Texas A&M University System Offices (original)	12,000,000.00	12,000,000.00	10,528,535.00	10,528,535.00	12,000,000.00
Teaching Excellence Awards-Unallocated		592,941.36	(592,880.68)	650,000.00	650,000.00
Academic Scholars Enhancement Program - Unallocated					
Texas A&M University System Offices					
-2008 Infrastructure Transfer	1,865,298.00				
Return of Excess Debt Service Funds					
Total Transfers	13,660,195.87	13,305,102.13	10,528,535.00	11,178,535.00	12,650,000.00
Ending Balance	\$ 2,770,593.31	\$ 5,120,936.26	\$ 6,208,178.08	\$ 6,208,178.08	\$ 6,208,178.08