



THE TEXAS A&M UNIVERSITY SYSTEM

November 29, 2011

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, 82nd 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 2011.

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

Sincerely,

Joseph Duron
Executive Director
Budgets and Accounting
The Texas A&M University System

cc: Ms. Mary Katherine Stout, Governor's Budget Office
Mr. John S. O'Brien, Legislative Budget Office
Mr. John S. Sharp
Mr. Greg Anderson
Dr. Stanton Calvert
Mr. Guy K. Diedrich
Ms. B. J. Crain
Mr. Corey S. Bradford

THE TEXAS A&M UNIVERSITY SYSTEM
AVAILABLE UNIVERSITY FUND REPORT

For the Fiscal Year Ended August 31, 2011



Report to the Legislature and Governor
Pursuant to Rider No. 4 to Available University Fund
Appropriations
House Bill 1, 82nd Legislature, Regular Session,
Page III-58 and 59

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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.

Permanent University Fund is expected to have an additional \$23 million available for AUF distribution for FY 2012. This is due to the increased payout from the University of Texas Investment Company Board. Per the November 2011 Board of Regents meeting, Texas A&M University will receive a one-time increase of \$19,715,000 and Prairie View A&M University will receive \$3,285,000 for excellence and operational purposes.

Ending Fund Balances

As of August 31, 2011, the AUF Reserve fund balance was \$64,056,322, of this balance, \$188,011 has been set aside for Revenue Financing System debt service needs for fiscal year 2012. In addition to these reserve amounts, a \$5,558,833 Due From Other Agencies and a \$644,425,000 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, \$8,215,082 is set aside for operational needs by the A&M System Offices, and Texas A&M University and Prairie View A&M University had operating and excellence set-asides of \$44,812,614 and \$15,086,349 respectively.

Summaries of fiscal year 2009 through fiscal year 2011 actual activity, as well as fiscal year 2012 and 2013 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 expenses 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 2009	Actual FY 2010	Actual FY 2011	Budget FY 2012	Budget FY 2013
Prairie View A&M University	\$ -	\$ -	\$ -	\$ 25,000,000	\$ 17,500,000
Tarleton State University		3,500,000	16,500,000	28,500,000	3,500,000
Texas A&M University	121,501,000	33,279,331	12,000,000		120,000,000
Texas A&M University at Galveston		3,150,000	10,000,000		
TAMUS Health Science Center	80,808,000	5,400,000	6,100,000	31,200,000	48,700,000
Texas A&M University - Central Texas				25,500,000	40,500,000
Texas A&M University - San Antonio				25,500,000	50,500,000
Texas AgriLife Research	3,484,000	1,208,000	27,808,000	1,400,000	1,400,000
Texas AgriLife Extension		300,000	200,000	200,000	200,000
Texas Engineering Experiment Station		1,392,000	1,292,000	1,000,000	1,000,000
Texas Engineering Extension Service		400,000	450,000	600,000	600,000
Texas Forest Service		200,000	200,000	200,000	200,000
Texas Transportation Institute	3,712,000	1,100,000	450,000	600,000	600,000
System Administrative and General Offices		70,669			
TOTAL	\$ 209,505,000	\$ 50,000,000	\$ 75,000,000	\$ 139,700,000	\$ 284,700,000

Appendix D

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

TAMUS Member	Actual FY 2009	Actual FY 2010	Actual FY 2011	Budget FY 2012	Budget FY 2013
Prairie View A&M University	\$ 6,066,874	\$ 6,044,983	\$ 6,536,253	\$ 6,840,690	\$ 7,188,962
Tarleton State University	8,588,558	5,049,771	10,093,667	6,005,264	7,292,122
Texas A&M University	49,895,060	21,366,354	29,346,982	35,777,583	35,600,990
Texas A&M University at Galveston	2,793,218	1,476,743	1,802,729	929,754	929,914
TAMUS Health Science Center	7,415,464	7,361,956	12,738,616	9,352,267	11,245,333
Texas A&M University - Central Texas				1,412,314	1,724,627
Texas A&M University - San Antonio				1,112,313	1,724,627
Texas AgriLife Research	7,290,065	3,734,122	4,958,025	5,231,697	5,546,418
Texas AgriLife Extension	383,317	83,291	421,617	123,621	168,553
Texas Engineering Experiment Station	1,534,795	262,931	1,904,993	648,177	872,830
Texas Engineering Extension Service	675,774	275,760	762,466	456,530	591,312
Texas Forest Service	469,491	270,122	492,089	306,508	351,476
Texas Transportation Institute	944,405	862,353	1,868,958	790,372	925,275
System Administrative and General Offices	340,479	215,417	286,094	715,131	715,261
TOTAL	\$ 86,397,500	\$ 47,003,803	\$ 71,212,489	\$ 69,702,221	\$ 74,877,700

Appendix E

**THE TEXAS A&M UNIVERSITY SYSTEM
Summary of Available University Funds
August 31, 2011**

Cash in State Treasury		\$	134,809,204.65
Cash in Bank-Treasury Safekeeping Trust Co.			400,017.06
Accrued Interest Receivable			89,476.36
Prepaid Expenses			1,758,248.90
Due from Other Funds			3,361.98
Due From Other Agencies			5,558,833.36
Interfund Receivable from University of Texas			644,425,000.00
Accounts Payable			(5,520,438.95)
Accrued Liabilities			(215,019.24)
Accrued Compensable Absences Payable			(4,713,316.71)
Permanent University Fund Bonds & Notes Payable			<u>(644,425,000.00)</u>
Total Fund Balance		\$	<u>132,170,367.41</u>
Fund Balance composed of:			
Reserve for Future Operations			
Revenue Financing System Debt Service	\$	188,011.00	
Operating Budget Supplement			
Texas A&M University		90,860,000.00	
Prairie View A&M University		15,140,000.00	
Texas A&M University System Offices (original)		12,600,000.00	
Texas A&M University System Offices			
Teaching Excellence Awards for TAMU and PVAMU		255,000.00	
Academic Scholars Enhancement Program		4,000,000.00	
Anticipated Use of Future Revenues		<u>(58,986,689.31)</u>	\$ 64,056,321.69
Budget Carryforward to FY 2012			
Texas A&M University			
Operating Excellence	\$	9,394,754.56	
Prairie View A&M University		<u>35,417,859.28</u>	44,812,613.84
Operating Excellence	\$	1,666,973.50	
Texas A&M University System Offices		<u>13,419,375.91</u>	15,086,349.41
Operating	\$	8,215,082.47	<u>8,215,082.47</u>
Total Fund Balance			\$ <u>132,170,367.41</u>

Appendix F

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

	Actual FY 2009	Actual FY 2010	Actual FY 2011	Budget FY 2012	Budget FY 2013
Beginning Balance	\$ 68,265,369.13	\$ 51,456,372.01	\$ 71,926,691.23	\$ 64,056,321.69	\$ 46,968,545.69
Revenues and Other Additions					
Available University Fund Income Allocation	182,334,972.80	176,727,245.67	174,271,020.73	196,870,445.00	213,367,966.00
State Treasury Interest Earnings	2,503,530.10	1,925,411.60	1,399,633.96	1,599,000.00	1,172,000.00
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions	184,838,502.90	178,652,657.27	175,670,654.69	198,469,445.00	214,539,966.00
Expenses and Other Deductions					
Operating					
Salaries and Wages					
Other Operating Expenses					
Capital Outlay					
Debt Service					
Other					
Total, Expenses and Other Deductions	-	-	-	-	-
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	(86,209,389.80)	(46,814,594.72)	(71,024,894.09)	(69,514,210.00)	(90,892,272.00)
Revenue Financing System Notes	(188,110.22)	(189,208.33)	(187,595.14)	(188,011.00)	(185,428.00)
Non-Mandatory Transfers					
Allocations for Operations and Enhancements					
Texas A&M University	(90,000,000.00)	(88,500,000.00)	(89,000,000.00)	(90,860,000.00)	(90,860,000.00)
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)	(15,140,000.00)	(15,140,000.00)
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)	(10,528,535.00)	(10,528,535.00)	(12,600,000.00)	(12,600,000.00)
Teaching Excellence Awards-Unallocated	(592,941.36)	592,880.68	(650,000.00)	(4,000,000.00)	(1,054,211.00)
Academic Scholars Enhancement Program - Unallocated					
One-time Distribution					
Texas A&M University				(19,715,000.00)	-
Prairie View A&M University				(3,285,000.00)	-
Total Transfers	(201,647,500.02)	(158,182,338.05)	(183,541,024.23)	(215,557,221.00)	(210,731,911.00)
Ending Balance	\$ 51,456,372.01	\$ 71,926,691.23	\$ 64,056,321.69	\$ 46,968,545.69	\$ 50,776,600.69

Appendix G

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

	Actual FY 2009	Actual FY 2010	Actual FY 2011	Budget FY 2012	Budget FY 2013
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Total, Revenues and Other Additions	-	-	-	-	-
Expenses and Other Deductions					
Operating					
Salaries and Wages					
Other Operating Expenses					
Capital Outlay					
Debt Service	86,192,397.89	47,003,803.05	71,212,489.23	69,702,221.00	91,077,700.00
Other					
Total, Expenses and Other Deductions	86,192,397.89	47,003,803.05	71,212,489.23	69,702,221.00	91,077,700.00
Transfers					
Mandatory Transfers for Debt Service					
Permanent University Fund Bonds and Notes	86,004,287.67	46,814,594.72	71,024,894.09	69,514,210.00	90,892,272.00
Revenue Financing System Notes	188,110.22	189,208.33	187,595.14	188,011.00	185,428.00
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	86,192,397.89	47,003,803.05	71,212,489.23	69,702,221.00	91,077,700.00
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix H

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

	Actual FY 2009	Actual FY 2010	Actual FY 2011	Budget FY 2012	Budget FY 2013
Beginning Balance	\$ 18,513,517.92	\$ 31,148,993.85	\$ 32,915,749.79	\$ 44,812,613.84	\$ 48,719,259.84
Revenues and Other Additions					
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Total, Revenues and Other Additions					
Expenses and Other Deductions					
Operating					
Salaries and Wages	35,491,056.46	60,909,997.80	47,066,337.61	74,554,412.00	69,031,423.00
Other Operating Expenses	34,075,870.77	19,989,477.59	27,255,507.09	34,059,731.00	24,693,931.00
Capital Outlay	7,797,596.84	5,833,768.67	2,781,291.25	1,000,000.00	1,000,000.00
Debt Service					
Other					
Total, Expenses and Other Deductions	<u>77,364,524.07</u>	<u>86,733,244.06</u>	<u>77,103,135.95</u>	<u>109,614,143.00</u>	<u>94,725,354.00</u>
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	90,000,000.00	88,500,000.00	89,000,000.00	90,860,000.00	90,860,000.00
Prairie View A&M University					
Texas A&M University System Offices					
Teaching Excellence Awards - unallocated					
Academic Scholars Enhancement Program - unallocated					
One-Time Distribution					
Texas A&M University				2,945,789.00	1,000,000.00
Prairie View A&M University				19,715,000.00	-
Return of Excess Debt Service Funds					
Total Transfers	<u>90,000,000.00</u>	<u>88,500,000.00</u>	<u>89,000,000.00</u>	<u>113,520,789.00</u>	<u>91,860,000.00</u>
Ending Balance	\$ 31,148,993.85	\$ 32,915,749.79	\$ 44,812,613.84	\$ 48,719,259.84	\$ 45,853,905.84

Appendix I

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

	Actual FY 2009	Actual FY 2010	Actual FY 2011	Budget FY 2012	Budget FY 2013
Beginning Balance					
Restatements *					
Beginning Balance, Restated	\$ 25,978,218.45	\$ 25,664,567.42	\$ 16,389,937.85	\$ 15,086,349.41	\$ 14,411,349.41
Revenues and Other Additions	<u>25,978,218.45</u>	<u>25,664,567.42</u>	<u>16,389,937.85</u>	<u>15,086,349.41</u>	<u>14,411,349.41</u>
Available University Fund Income Allocation					
State Treasury Interest Earnings					
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable			103,271.00		
Total, Revenues and Other Additions	<u>-</u>	<u>-</u>	<u>103,271.00</u>	<u>-</u>	<u>-</u>
Expenses and Other Deductions					
Operating					
Salaries and Wages	3,781,539.30	3,841,403.17	3,697,952.43	3,611,000.00	3,614,000.00
Other Operating Expenses	7,218,553.11	8,382,673.21	8,944,657.66	13,721,000.00	12,103,000.00
Capital Outlay	1,424,738.62	9,054,507.19	914,249.35	1,768,000.00	150,000.00
Debt Service					
Other	38,820.00	146,046.00			
Total, Expenses and Other Deductions	<u>12,463,651.03</u>	<u>21,424,629.57</u>	<u>13,556,859.44</u>	<u>19,100,000.00</u>	<u>15,867,000.00</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	12,150,000.00	12,150,000.00	12,150,000.00	15,140,000.00	15,140,000.00
Texas A&M University System Offices					
One-Time Distribution					
Texas A&M University					
Prairie View A&M University				3,285,000.00	-
Return of Excess Debt Service Funds					
Total Transfers	<u>12,150,000.00</u>	<u>12,150,000.00</u>	<u>12,150,000.00</u>	<u>18,425,000.00</u>	<u>15,140,000.00</u>
Ending Balance	<u>\$ 25,664,567.42</u>	<u>\$ 16,389,937.85</u>	<u>\$ 15,086,349.41</u>	<u>\$ 14,411,349.41</u>	<u>\$ 13,684,349.41</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 2009	Actual FY 2010	Actual FY 2011	Budget FY 2012	Budget FY 2013
Beginning Balance	\$ 2,770,593.31	\$ 5,120,936.26	\$ 6,208,178.08	\$ 8,215,082.47	\$ 8,215,082.47
Revenues and Other Additions					
Available University Fund Income Allocation					
Available University Fund Income Adjustment from UTS - FY 98					
State Treasury Interest Earnings					
Miscellaneous Income					
Net Decrease in Accrued Compensable Absences Payable					
Total, Revenues and Other Additions					
Expenses and Other Deductions					
Operating					
Salaries and Wages	9,291,749.58	7,618,480.06	6,356,946.40	6,900,000.00	6,900,000.00
Other Operating Expenses	1,045,122.01	1,177,744.06	2,462,337.99	5,700,000.00	5,700,000.00
Capital Outlay	78,065.49	40,910.46	23,441.06		
Teaching Excellence Program	507,058.64	592,880.68	268,493.10	255,000.00	
Academic Scholars Enhancement Program				1,054,211.00	54,211.00
Debt Service					
Other	32,763.46	11,277.92	60,412.06		
Total, Expenses and Other Deductions	<u>10,954,759.18</u>	<u>9,441,293.18</u>	<u>9,171,630.61</u>	<u>13,909,211.00</u>	<u>12,654,211.00</u>
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					
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	10,528,535.00	10,528,535.00	12,600,000.00	12,600,000.00
Teaching Excellence Awards-Unallocated	592,941.36	(592,880.68)	650,000.00	255,000.00	
Academic Scholars Enhancement Program - Unallocated				1,054,211.00	54,211.00
Texas A&M University System Offices					
-2008 Infrastructure Transfer					
Return of Excess Debt Service Funds					
Total Transfers	<u>13,305,102.13</u>	<u>10,528,535.00</u>	<u>11,178,535.00</u>	<u>13,909,211.00</u>	<u>12,654,211.00</u>
Ending Balance	\$ <u>5,120,936.26</u>	\$ <u>6,208,178.08</u>	\$ <u>8,215,082.47</u>	\$ <u>8,215,082.47</u>	\$ <u>8,215,082.47</u>