

Strategic Fiscal Review 2016-17
House Budget Recommendations: HB 1 as Introduced
Available University Fund (Agency 799)

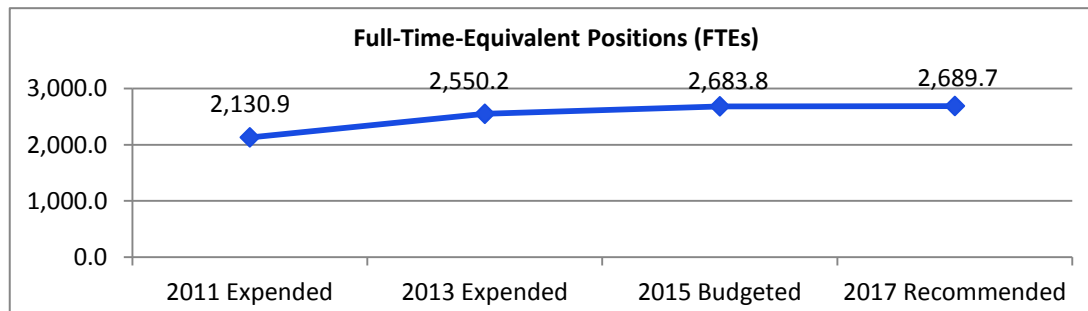
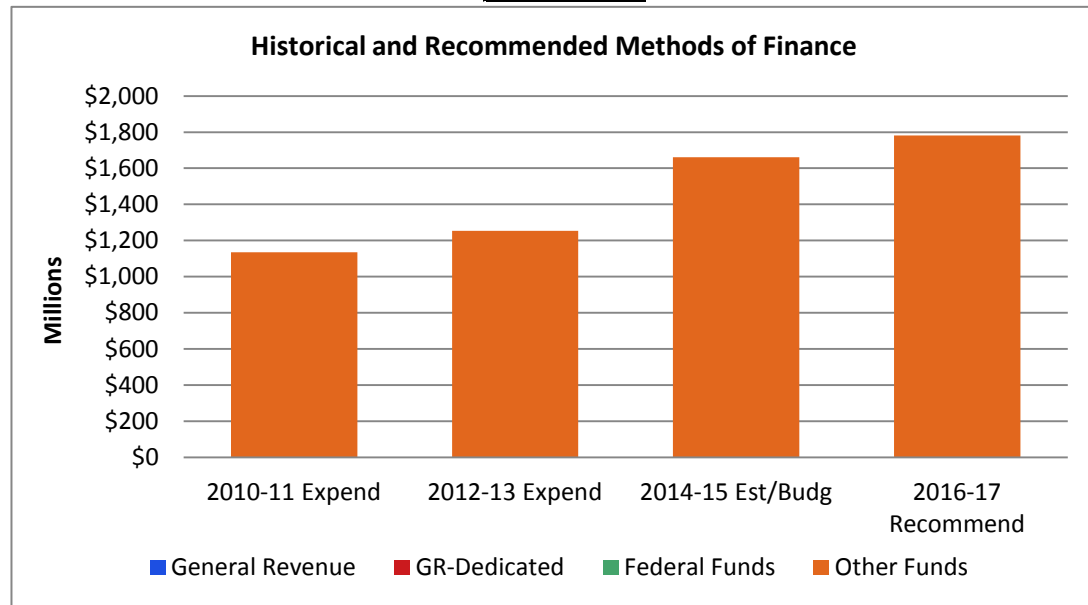
Schedule 1: Agency Overview

The staff of the Legislative Budget Board conducted the Strategic Fiscal Review in the fall of 2014. The analysis contained in these materials reflects that staff review. The budget amounts for 2016-17 reflect budget recommendations contained in House Bill 1 as Introduced.

Mission Statement: The Available University Fund (AUF) does not have a mission statement. Pursuant to the Texas Constitution, the Permanent University Fund (PUF), which is where funding for the AUF is derived, was established to enable the Legislature to "organize and provide for the maintenance, support, and direction of a University of the first class."

Legal Authority: Texas Constitution, Article VII, Sec. 18(a),(b),(e),(f); Education Code, Chapter 66, Subchapter B, & Sec. 65.14; General Appropriations Act 2014-15, Rider 2, Article III-63, & Rider 3, Article III-64.

Total Number of Programs: 9



Overview and Significant Findings

- **Estimated Appropriations.** Appropriations from the AUF are estimated Other Fund appropriations captured in the AUF bill pattern in Article III of the General Appropriations Act.
- **Full-Time Equivalent Positions.** The bill pattern for the AUF does not include FTE information. FTEs whose salaries and wages are paid with AUF are included in the bill patterns of The University of Texas (UT) System, Texas A&M University (TAMU) System, The University of Texas at Austin (UT Austin), Texas A&M University (Texas A&M), and Prairie View A&M University (Prairie View A&M), respectively.
- **AUF Distribution.** The Texas Constitution dedicates two-thirds of the annual AUF distribution to the UT System and one-third of the annual AUF distribution to the TAMU System. The Board of Regents for each respective system determines how the AUF appropriations are allocated between debt service and support and maintenance within the guidelines specified by the Texas Constitution.
- **Funding Alternatives.** No funding alternatives were considered for the AUF since it is a constitutionally dedicated fund, unlike the other entities under Strategic Fiscal Review (SFR).
- **New Riders.** Recommendations include four new riders that provide additional reporting and approval requirements regarding the uses of the AUF.
- **Appendix.** For reference, Appendix A provides a comparison of data included in the SFR between UT and TAMU Systems.

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Schedule 2A: Program Listing -- Services and Administration

| Agency Submission | | Review and Analysis | | | | | | | | |
|--|----------------------------|---------------------|----------------------------|-------------------|-----------|--------------------|--|--------------|--|----------------------|
| Agency Ranking | Program Name | Year Created | State Authority | Federal Authority | Authority | Mission Centrality | State Service Category | Service Area | Significant Audit and/or Report Findings | Outsourced Services? |
| The University of Texas System - AUF | | | | | | | | | | |
| 1 | UT - Debt Service | 1956 | Constitution, Statute, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Statewide | No | No |
| 2 | UT Austin | 1956 | Constitution, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Regional | No | No |
| 3 | UT - System Administration | 1956 | Constitution, Statute, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Statewide | No | No |
| 4 | UT - System Initiatives | 1995 | Constitution, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Statewide | No | No |
| Texas A&M University System - AUF | | | | | | | | | | |
| 1 | TAMU - Debt Service | 1956 | Constitution, Statute, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Statewide | No | No |
| 2 | Texas A&M | 1956 | Constitution, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Regional | No | No |
| 2 | Prairie View A&M | 1956 | Constitution, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Regional | No | No |
| 4 | TAMU - System Operations | 1956 | Constitution, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Statewide | No | No |
| 5 | TAMU - System Initiatives | 2012 | Constitution, GAA | NA | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Statewide | No | No |

Program Summary Included

- Notes:**
- **Year Created.** The Constitutional authority for the AUF (Article VII, Sec. 18, Texas Constitution) was created in 1947 through Senate Joint Resolution 4, 50th Legislature. However, the allocation of one-third of the AUF to TAMU System and two-thirds of the AUF to UT System was established in 1956 with the passage of House Joint Resolution 15, 54th Legislature. Therefore, the SFR cites 1956 as the beginning year for these programs. For the System Initiatives programs for both the UT and TAMU Systems, the initial year represents the first year of reported funding, not the first year of authority for those purposes.
 - **State Authority.** State authority includes authority specifically relating to the AUF and does not include general state authority for the system offices and component institutions.

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Schedule 2B: Program Listing -- Fiscal

| Agency Submission | | | | | Review, Analysis, and Funding | | | | | | | Appropriate Use of Constitutional and GR-Dedicated Funds? | Agency Funding Alternatives in Recs? | |
|--|---------------------------------|------------------------------|-------------------------|-------------------------|-------------------------------|----------------|--------------------------|----------------|--------------------------|-----------------------|--------------------|---|--------------------------------------|--|
| Agency Ranking | Program Name | 1st Year Full Implementation | 2010-11 Expended | 2012-13 Expended | 2014-15 Est / Budg | 2015 FTEs Budg | 2016-17 Est. Allocations | 2017 FTEs Rec. | Percent Change from Base | FTEs Change from Base | Revenue Supported? | | | |
| The University of Texas System - AUF | | | | | | | | | | | | | | |
| 1 | UT - Debt Service | \$ 48,323,575 | \$ 199,858,169 | \$ 231,556,119 | \$ 329,483,133 | 0.0 | \$ 404,052,330 | 0.0 | 22.6% | 0.0 | Yes | Compliant | No | |
| 2 | UT Austin | \$ 85,300,457 | \$ 405,480,000 | \$ 387,905,000 | \$ 563,467,268 | 1,625.8 | \$ 560,155,000 | 1,625.8 | -0.6% | 0.0 | Yes | Compliant | No | |
| 3 | UT - System Administration | \$ 12,078,270 | \$ 63,179,657 | \$ 72,721,325 | \$ 90,916,716 | 249.3 | \$ 103,941,163 | 249.3 | 14.3% | 0.0 | Yes | Compliant | No | |
| 4 | UT - System Initiatives | \$ 5,401 | \$ 123,317,366 | \$ 127,910,306 | \$ 167,615,686 | 91.7 | \$ 90,889,290 | 91.6 | -45.8% | -0.1 | Yes | Compliant | No | |
| Texas A&M University System - AUF | | | | | | | | | | | | | | |
| 1 | TAMU - Debt Service | \$ 23,426,296 | \$ 118,216,292 | \$ 136,811,086 | \$ 207,216,596 | 0.0 | \$ 261,608,085 | 0.0 | 26.2% | 0.0 | Yes | Compliant | No | |
| 2 | Texas A&M | \$ 50,782,532 | \$ 178,215,463 | \$ 201,799,000 | \$ 198,463,000 | 560.0 | \$ 215,292,000 | 560.0 | 8.5% | 0.0 | Yes | Compliant | No | |
| 2 | Prairie View A&M | \$ 5,700,000 | \$ 24,445,911 | \$ 33,456,000 | \$ 32,039,000 | 75.0 | \$ 38,378,000 | 81.0 | 19.8% | 6.0 | Yes | Compliant | No | |
| 4 | TAMU - System Operations | \$ 4,975,000 | \$ 21,438,577 | \$ 25,200,000 | \$ 27,154,000 | 82.0 | \$ 27,700,000 | 82.0 | 2.0% | 0.0 | Yes | Compliant | No | |
| 5 | TAMU - System Initiatives | \$ 4,000,000 | \$ - | \$ 37,102,877 | \$ 44,230,123 | 0.0 | \$ 79,243,000 | 0.0 | 79.2% | 0.0 | Yes | Compliant | No | |
| Total | Program Summary Included | | \$ 1,134,151,435 | \$ 1,254,461,713 | \$ 1,660,585,522 | 2,683.8 | \$ 1,781,258,868 | 2,689.7 | 7.3% | 5.9 | | | | |

Note: • **AUF Allocations.** AUF amounts included for each program are based on the amount of AUF allocated for each program by the UT and TAMU System Board of Regents. Because appropriations included in the General Appropriations Act are estimates of the total annual distribution from the PUF to the AUF rather than the amounts allocated by each respective system's Board of Regents, the AUF amounts included in this review will not necessarily match the appropriations included in the General Appropriations Act.

**Strategic Fiscal Review 2016-17 - House
House Budget Recommendations: HB 1 as Introduced
Schedule 3: Assessments of Mission Centrality and Authority**

Available University Fund (Agency 799)

Mission centrality is a judgment of how directly connected a program is to the core mission and goals of the agency, as identified in statute, agency strategic plans, or other documents.

Authority is an assessment of how strong and explicit the legal basis is for the existence of the program and the way in which the agency is administering it.

| | | MISSION CENTRALITY | | |
|--|-----------------|--------------------|----------|--|
| | | Weak | Moderate | Strong |
| A U T H O R I T Y | Strong | | | UT Debt Service (1) TAMU Debt Service (1) UT Austin (2) Texas A&M (2) UT System Administration (3) Prairie View A&M (2) UT System Initiatives (4) TAMU System Operations (4) TAMU System Initiatives (5) |
| | Moderate | | | |
| | Weak | | | |

Note: Because the AUF does not have a mission statement, the programs funded with AUF were compared to the mission of the UT System, TAMU System, UT Austin, Texas A&M, and Prairie View A&M, respectively.

**Strategic Fiscal Review 2016-17 - House
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Schedule 4: Constitutional and General Revenue-Dedicated Accounts

1 Account: Available University Fund, No. 011
Legal Cite(s): Article VII, Section 18, Texas Constitution
Authorized Use: For eligible component institutions of the UT and TAMU Systems, the first obligation of AUF distributions is to pay the debt service (both principal and interest) on extant PUF bonds. The residual income, after debt service, is dedicated to system office operations and excellence programs at UT Austin, Texas A&M, and Prairie View A&M.
Revenue Source: Surface income generated from PUF lands and annual distributions determined by the UT Board of Regents based on the 12-quarter trailing average of the PUF. The distribution must provide the AUF with a stable annual income stream while still maintaining the purchasing power of the PUF.

| Program(s) Funded | In Compliance with Authorized Use? | 1st Full Year Appropriated | 2010-11 Expended | 2012-13 Expended | 2014-15 Est/Budg | 2016-17 Est. Allocations | Comments |
|--|------------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|--------------------------|----------|
| The University of Texas System - AUF | | | | | | | |
| 1 UT - Debt Service | Compliant | \$ 48,323,575 | \$ 199,858,169 | \$ 231,556,119 | \$ 329,483,133 | \$ 404,052,330 | |
| 2 UT Austin | Compliant | \$ 85,300,457 | \$ 405,480,000 | \$ 387,905,000 | \$ 563,467,268 | \$ 560,155,000 | |
| 3 UT - System Administration | Compliant | \$ 12,078,270 | \$ 63,179,657 | \$ 72,721,325 | \$ 90,916,716 | \$ 103,941,163 | |
| 4 UT - System Initiatives | Compliant | \$ 5,401 | \$ 123,317,366 | \$ 127,910,306 | \$ 167,615,686 | \$ 90,889,290 | |
| Texas A&M University System - AUF | | | | | | | |
| 1 TAMU - Debt Service | Compliant | \$ 23,426,296 | \$ 118,216,292 | \$ 136,811,086 | \$ 207,216,596 | \$ 261,608,085 | |
| 2 Texas A&M | Compliant | \$ 50,782,532 | \$ 178,215,463 | \$ 201,799,000 | \$ 198,463,000 | \$ 215,292,000 | |
| 2 Prairie View A&M | Compliant | \$ 5,700,000 | \$ 24,445,911 | \$ 33,456,000 | \$ 32,039,000 | \$ 38,378,000 | |
| 4 TAMU - System Operations | Compliant | \$ 4,975,000 | \$ 21,438,577 | \$ 25,200,000 | \$ 27,154,000 | \$ 27,700,000 | |
| 5 TAMU - System Initiatives | Compliant | \$ 4,000,000 | \$ - | \$ 37,102,877 | \$ 44,230,123 | \$ 79,243,000 | |
| Total, Available University Fund, No. 011 | | | \$ 1,134,151,435 | \$ 1,254,461,713 | \$ 1,660,585,522 | \$ 1,781,258,868 | |

**Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)**

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: UT Debt Service

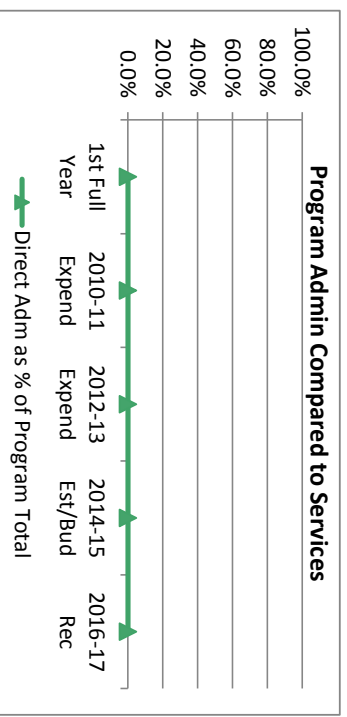
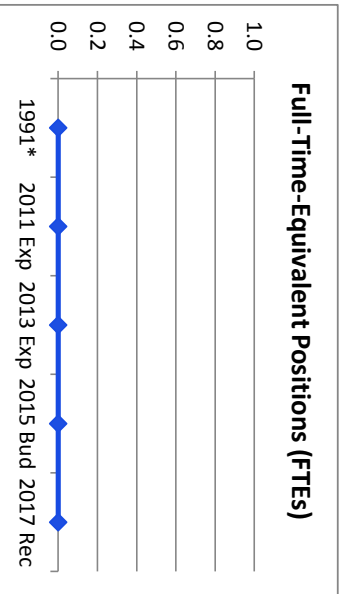
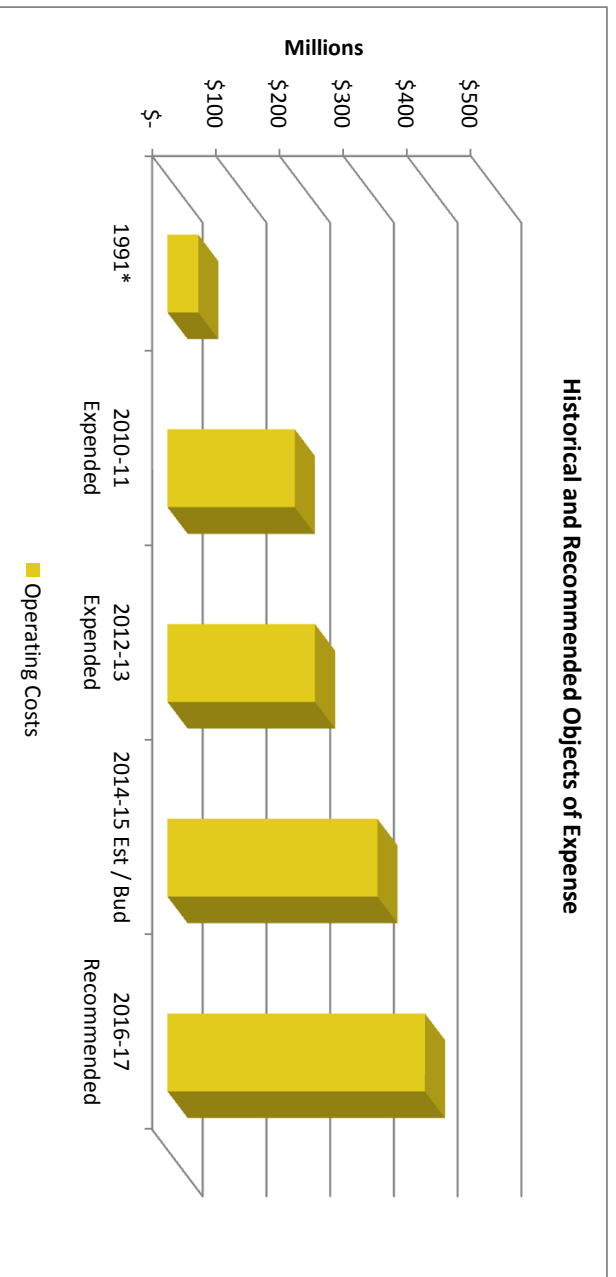
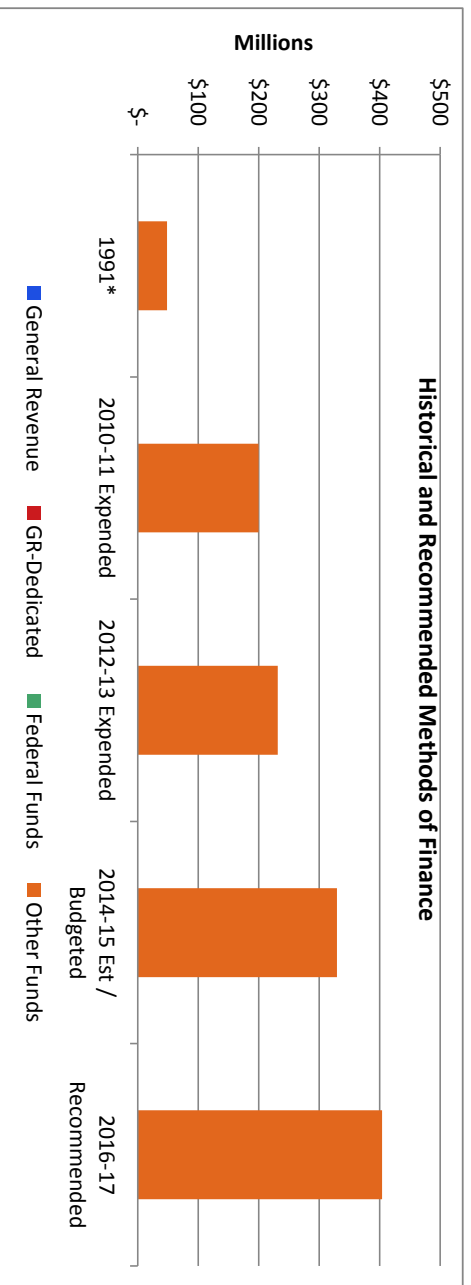
Agency Ranking
1 out of 4

AUF allocations used to secure the payment of the principal and interest of PUF-backed bonds that are used for the following purposes: acquiring land; constructing; equipping; and repairing buildings; and acquiring capital equipment, library books, and library materials.

Legal Authority: Texas Constitution, Article 7, Section 18(b) and (f); Education Code, Chapter 66, Subchapter B; General Appropriations Act 2014-15, Rider 3, The University of Texas System Share; Article III-64.

| | | | | | | | |
|---------------------|--------|-------------------------------------|-----------|-------------------------------|--|--|-----------|
| Year Created | 1956 | Performance and/or Authority | Strong | Operational Issues | No | Outsourced Services Revenue Supported | No |
| Centrality | Strong | Service Area | Statewide | State Service Category | Higher Education Instruction, Financial Aid & Research | Use of Dedicated Funds | Compliant |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|--------------------------------------|-----------------------|------------|-----------------------|------------|---------------|
| University of Texas at Austin | \$ 53,348,105 | 0.0 | \$ 61,294,736 | 0.0 | 15.2% |
| University of Texas at Dallas | \$ 39,796,432 | 0.0 | \$ 46,991,286 | 0.0 | 11.6% |
| UT Southwestern Medical Center | \$ 28,819,286 | 0.0 | \$ 37,455,651 | 0.0 | 9.3% |
| UT Health Science Center San Antonio | \$ 42,810,689 | 0.0 | \$ 50,506,542 | 0.0 | 12.5% |
| Other | \$ 164,708,621 | 0.0 | \$ 207,804,115 | 0.0 | 51.4% |
| TOTAL | \$ 329,483,133 | 0.0 | \$ 404,052,330 | 0.0 | 100.0% |



Program: UT Debt Service

Agency
Ranking **1 out of 4**

Summary of Recommendations and Fiscal and Policy Issues

1 Criteria for Committing PUF/AUF to Capital Projects. Pursuant to UT Board of Regents Rule 80303, the following criteria are considered by the UT Board of Regents when determining whether to commit AUF or PUF funding to a project: (1) consistency with institution's mission; (2) project need; (3) unique opportunity; (4) matching funds/leverage; (5) cost effectiveness; (6) state of existing facility condition; and (7) other available funding sources.

Regents Rule 80303 also provides that no projects will be recommended for approval if the appropriation of the AUF or PUF bond proceeds would cause: (1) UT Austin's share of support and maintenance funding to fall below 45 percent of the total support and maintenance funding allocation; (2) debt service coverage to be less than 1.50 to 1.00; and (3) the projected end of year balance of the AUF reserves for the UT System to be less than \$30 million.

2 Debt Service by Component Institution. The UT Debt Service program includes activities with estimated allocations of PUF bond debt service by institution paid by the AUF. In practice, the debt is not serviced by individual institution allocations, but rather as a System wide total. The allocated debt service presented is an estimate calculated based on a rolling 20 year average of PUF proceeds received by each institution and in a manner consistent with how these data are presented in the AUF Report prepared annually. Table 1 provides a summary of the estimated PUF bond debt service paid by AUF by component institution since 2005.

3 UT System Constitutional Debt Limit. Pursuant to Article VII, Sec. 18(b), Texas Constitution, the UT System is authorized to issue PUF bonds up to a total amount not to exceed 20 percent of the book value of the PUF. As of the close of fiscal year 2014, the constitutional PUF debt limit for UT System was \$2,853.8 million. At that time, outstanding PUF debt totaled \$2,002.5 million with an additional \$706.4 million in authorized but unissued PUF debt, resulting in \$145.0 million in remaining PUF debt issuance capacity. If outstanding PUF debt ever hit the constitutional debt limit, the UT System would have to utilize other forms of capital funding regardless of the level of annual AUF allocations. Figure 1 provides a comparison of outstanding and remaining PUF debt capacity available for the UT System since 1991.

4 Debt Retirement. According to the debt retirement schedule provided by UT System, all outstanding PUF debt from UT System would not be retired until fiscal year 2041 assuming no additional issuance of PUF-backed bonds.

5 Debt Service vs. Support and Maintenance Funding. Pursuant to the Constitution, AUF distributions to UT System must first be used for debt service payments on outstanding PUF-backed bonds. The remaining distribution is for support and maintenance funding for the UT System Administration and UT Austin. Figure 2 provides a comparison of the amount of AUF allocations used for debt service versus support and maintenance for the UT System since 1991.

6 First Full Year of Operation. While the constitutional authority for the AUF was established in 1956, the program summary includes debt service payments from 1991 as a similar reference point between the UT and TAMU Systems.

Recommended Statutory Changes for Program Improvement

None.

Table 1: Allocation of PUF bond debt service for UT System paid by the AUF by Component Institution

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Bud. 2015 | Est. 2016 | Est. 2017 | Total 2005-2017 |
|---------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| UT System Administration | \$ 4,223,831 | \$ 4,404,042 | \$ 5,037,555 | \$ 5,416,909 | \$ 4,312,850 | \$ 6,080,962 | \$ 4,331,325 | \$ 4,106,301 | \$ 4,564,770 | \$ 6,271,350 | \$ 8,100,272 | \$ 9,063,254 | \$ 10,735,311 | \$ 76,648,732 |
| UT Arlington | \$ 6,791,728 | \$ 6,035,169 | \$ 5,065,133 | \$ 5,446,564 | \$ 8,240,080 | \$ 8,396,976 | \$ 6,278,278 | \$ 6,902,919 | \$ 9,236,007 | \$ 10,835,317 | \$ 10,050,949 | \$ 11,245,833 | \$ 13,320,549 | \$ 107,845,502 |
| UT Austin | \$ 11,263,547 | \$ 11,245,711 | \$ 12,667,431 | \$ 13,621,351 | \$ 14,531,764 | \$ 17,683,850 | \$ 12,848,167 | \$ 14,810,256 | \$ 19,217,281 | \$ 28,270,326 | \$ 25,077,779 | \$ 28,059,092 | \$ 33,235,644 | \$ 242,532,199 |
| UT Dallas | \$ 8,167,673 | \$ 10,575,138 | \$ 9,008,767 | \$ 9,687,174 | \$ 9,254,868 | \$ 10,975,395 | \$ 9,631,838 | \$ 10,743,344 | \$ 14,133,486 | \$ 20,570,685 | \$ 19,225,747 | \$ 21,511,355 | \$ 25,479,931 | \$ 178,965,401 |
| UT El Paso | \$ 4,327,827 | \$ 4,884,318 | \$ 4,927,244 | \$ 5,298,291 | \$ 8,087,861 | \$ 9,868,729 | \$ 7,333,234 | \$ 8,192,908 | \$ 11,099,178 | \$ 12,099,437 | \$ 11,274,256 | \$ 12,614,569 | \$ 14,941,800 | \$ 114,949,652 |
| UT Rio Grande Valley | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,182,035 | \$ 7,885,366 | \$ 8,822,800 | \$ 10,450,496 | \$ 28,340,697 |
| UT Permian Basin | \$ 1,247,950 | \$ 1,440,829 | \$ 1,342,122 | \$ 1,443,191 | \$ 1,968,689 | \$ 2,144,880 | \$ 1,603,877 | \$ 1,733,115 | \$ 2,275,731 | \$ 2,478,989 | \$ 2,248,239 | \$ 2,515,515 | \$ 2,979,596 | \$ 25,422,723 |
| UT San Antonio | \$ 8,959,641 | \$ 10,674,818 | \$ 11,260,959 | \$ 12,108,967 | \$ 10,452,318 | \$ 11,272,028 | \$ 8,310,999 | \$ 10,231,288 | \$ 12,949,040 | \$ 14,135,163 | \$ 13,158,809 | \$ 14,723,163 | \$ 17,439,403 | \$ 155,676,596 |
| UT Tyler | \$ 3,143,874 | \$ 3,543,170 | \$ 3,401,269 | \$ 3,657,402 | \$ 3,470,575 | \$ 3,787,766 | \$ 2,341,489 | \$ 2,619,367 | \$ 3,540,026 | \$ 3,792,361 | \$ 3,537,670 | \$ 3,958,237 | \$ 4,688,483 | \$ 45,481,689 |
| UT Southwestern | \$ 10,271,588 | \$ 12,305,944 | \$ 12,639,851 | \$ 13,591,698 | \$ 12,075,979 | \$ 12,150,516 | \$ 9,185,841 | \$ 10,556,247 | \$ 12,536,482 | \$ 13,494,895 | \$ 15,324,391 | \$ 17,146,196 | \$ 20,309,455 | \$ 171,589,083 |
| UTMB Galveston | \$ 4,295,828 | \$ 4,983,998 | \$ 4,292,953 | \$ 4,616,235 | \$ 3,450,280 | \$ 3,810,584 | \$ 2,838,948 | \$ 3,121,577 | \$ 3,979,202 | \$ 4,449,047 | \$ 5,901,626 | \$ 6,603,228 | \$ 7,821,441 | \$ 60,164,947 |
| UTHSC Houston | \$ 6,399,744 | \$ 7,630,048 | \$ 9,440,820 | \$ 10,151,763 | \$ 10,360,987 | \$ 11,363,299 | \$ 8,439,652 | \$ 9,295,799 | \$ 11,764,596 | \$ 12,641,203 | \$ 11,770,191 | \$ 13,169,462 | \$ 15,599,064 | \$ 138,026,628 |
| UTHSC San Antonio | \$ 6,551,738 | \$ 7,620,986 | \$ 8,061,927 | \$ 8,669,032 | \$ 8,473,481 | \$ 8,841,925 | \$ 6,569,892 | \$ 8,222,450 | \$ 17,181,101 | \$ 22,146,731 | \$ 20,663,958 | \$ 23,120,545 | \$ 27,385,997 | \$ 173,509,763 |
| UT MD Anderson | \$ 2,703,892 | \$ 3,244,130 | \$ 2,996,794 | \$ 3,222,468 | \$ 4,414,328 | \$ 5,134,021 | \$ 4,082,596 | \$ 4,736,525 | \$ 6,361,399 | \$ 7,354,882 | \$ 6,893,496 | \$ 7,713,014 | \$ 9,135,968 | \$ 67,993,513 |
| UTHSC Tyler | \$ 1,647,934 | \$ 2,029,846 | \$ 1,783,368 | \$ 1,917,665 | \$ 2,384,752 | \$ 2,578,419 | \$ 1,972,683 | \$ 3,200,355 | \$ 4,245,369 | \$ 4,449,047 | \$ 4,198,916 | \$ 4,698,095 | \$ 5,564,834 | \$ 40,671,283 |
| Total | \$ 79,996,795 | \$ 90,618,147 | \$ 91,926,193 | \$ 98,848,710 | \$ 101,478,812 | \$ 114,089,350 | \$ 85,768,819 | \$ 98,472,451 | \$ 133,083,668 | \$ 164,171,468 | \$ 165,311,665 | \$ 184,964,358 | \$ 219,087,972 | \$ 1,627,818,408 |

Note: This schedule includes estimated allocations of PUF bond debt service paid by the AUF. In practice, the debt is not serviced by individual institutional allocations, but rather, all debt is carried and serviced by UT System Administration directly from the AUF. The information included in this schedule estimates the PUF debt service attributable to each institution based on a rolling 20 year average of PUF bond proceeds received by each institution and is consistent with how this data is presented in the Available University Fund Report prepared annually.

Figure 1: Outstanding and Remaining PUF Debt Issuance Capacity - UT System

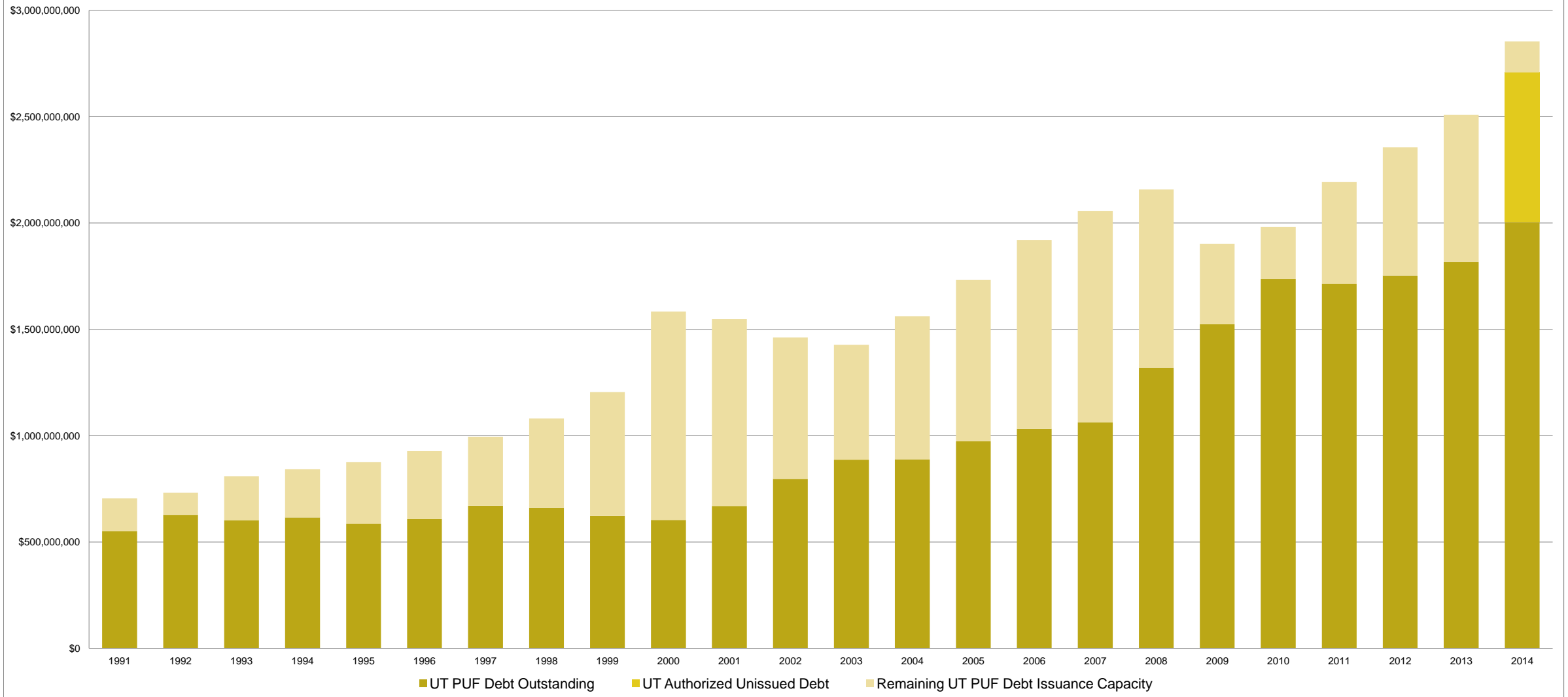
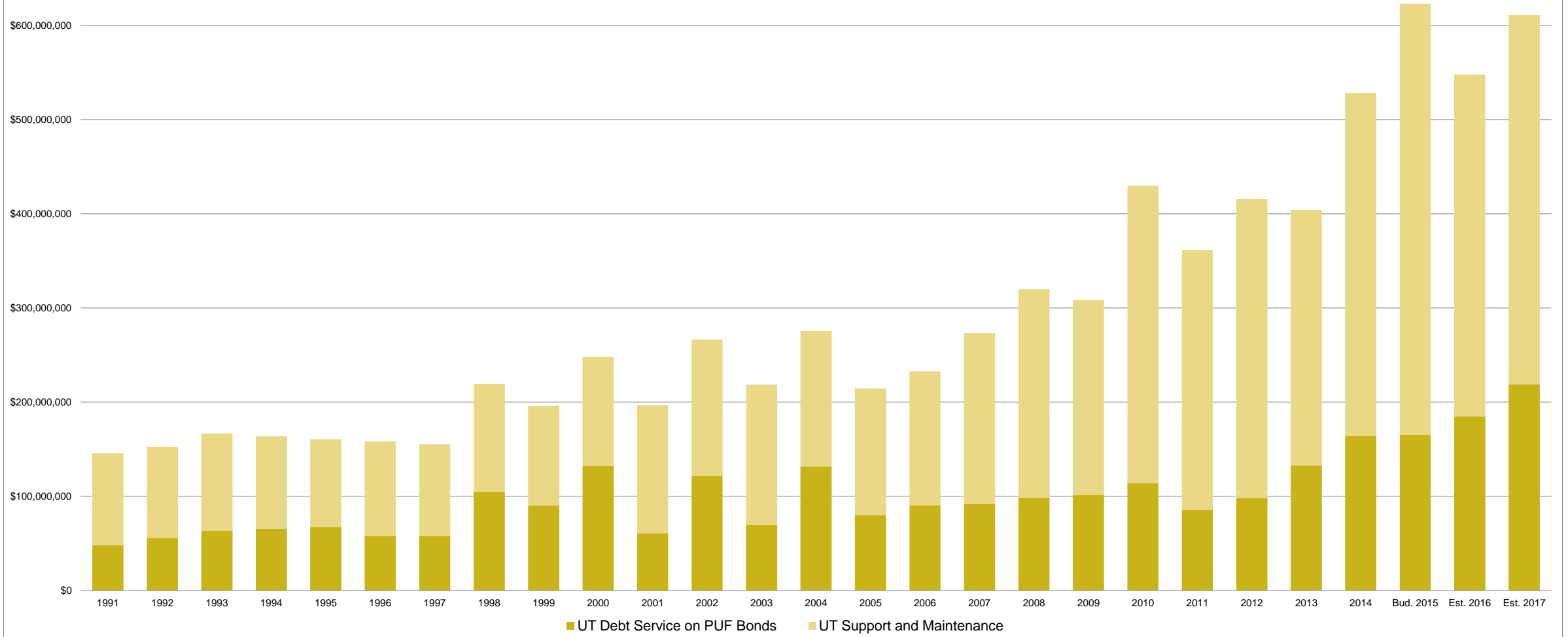


Figure 2: AUF Allocation for UT System - Debt Service vs. Support and Maintenance Funding



**Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)**

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: TAMU Debt Service

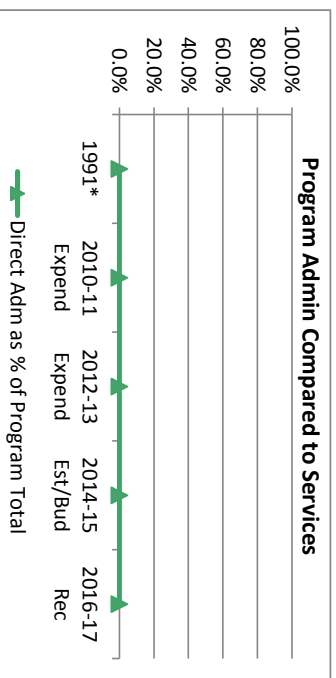
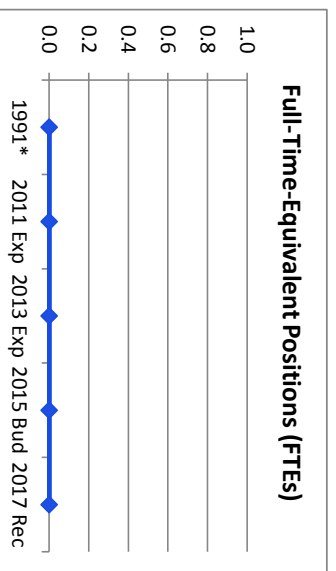
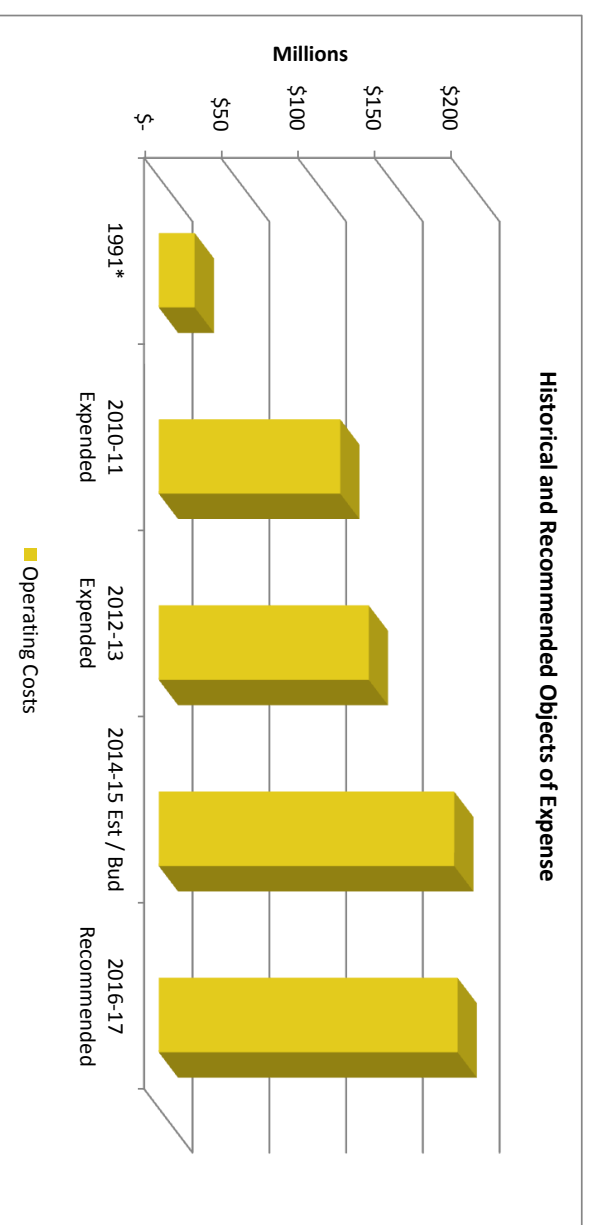
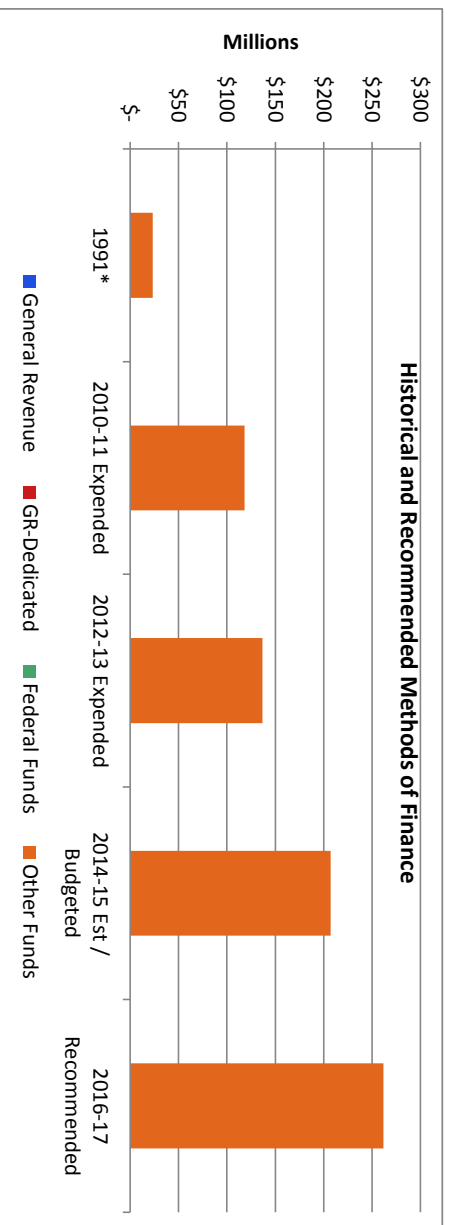
**Agency
Ranking**
1 out of 5

AUF allocations used to secure the payment of the principal and interest of PUF-backed bonds that are used for the following purposes: acquiring land; constructing, equipping, and repairing buildings; and acquiring capital equipment, library books, and library materials.

Legal Authority: Texas Constitution, Article 7, Section 18(a) and (f); Education Code, Chapter 66, Subchapter B; General Appropriations Act 2014-15, Rider 2, Texas A&M University System Share, Article III-63.

| | | | | | |
|---------------------|-----------|-------------------------------|--|-------------------------------|-----------|
| Year Created | 1956 | Performance and/or | | Outsourced Services | No |
| Authority | Strong | Operational Issues | No | Revenue Supported | Yes |
| Centrality | Strong | | | Use of Dedicated Funds | Compliant |
| Service Area | Statewide | State Service Category | Higher Education Instruction, Financial Aid & Research | | |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|----------------------------|-----------------------|--------------|-----------------------|--------------|---------------|
| Texas A&M University | \$ 89,246,256 | 0.0 | \$ 86,809,760 | 0.0 | 33.2% |
| Prairie View A&M | \$ 14,719,697 | 0.0 | \$ 14,739,363 | 0.0 | 5.6% |
| Tarleton State University | \$ 20,683,574 | 0.0 | \$ 24,096,699 | 0.0 | 9.2% |
| TAMU Health Science Center | \$ 26,709,683 | 0.0 | \$ 25,180,110 | 0.0 | 9.6% |
| Other | \$ 55,857,386 | 0.0 | \$ 110,782,153 | 0.0 | 42.3% |
| TOTAL | \$ 207,216,596 | 0.0 | \$ 261,608,085 | 0.0 | 100.0% |



Program: TAMU Debt Service

Agency
Ranking **1 out of 5**

Summary of Recommendations and Fiscal and Policy Issues

- 1 Criteria for Committing PUF/AUF to Capital Projects.** Debt issuance for capital projects is determined by the TAMU System Board of Regents and is reflected in the TAMU System Capital Plan. The TAMU Board of Regents consider project criteria including the scope of the project, justification, and available funding sources. When considering which projects to support with PUF-backed bonds, the TAMU Board of Regents also considers the level of PUF-backed bonds component institutions have received in the past and the level of AUF funding necessary to maintain the annual level of support and maintenance funding to Texas A&M, Prairie View A&M, and the System Offices.
- 2 Debt Service by Component Institution.** The TAMU Debt Service program includes activities with estimated allocations of PUF bond debt service by institution paid by the AUF. Table 2 provides a summary of the estimated PUF bond debt service paid by AUF by component institution since 2005.
- 3 TAMU System PUF Constitutional Debt Limit.** Pursuant to Article VII, Sec. 18(a), Texas Constitution, the TAMU System is authorized to issue PUF bonds up to a total amount not to exceed 10 percent of the book value of the PUF. As of the close of fiscal year 2014, the constitutional PUF debt limit for TAMU System was \$1,377.5 million. At that time, outstanding PUF debt totaled \$810.4 million with an additional \$310.0 million in authorized but unissued PUF debt, resulting in \$257.1 million in remaining PUF debt issuance capacity. Figure 3 provides a comparison of outstanding and remaining PUF debt capacity available for the TAMU System since 1991.

According to TAMU System, while there is PUF debt issuance capacity available, the System does not have adequate cash flows to support this additional amount of debt due to the System's practice of maintaining one-half year's debt service in the AUF balance to ensure market fluctuations do not impact the System's ability to continue paying debt service and support excellence and operations at Texas A&M, Prairie View, and the System Offices. Further, out of the remaining PUF debt issuance capacity, TAMU System is reserving approximately \$250 million in PUF debt capacity for potential matching funds for capital projects requested by TAMU System component institutions as Tuition Revenue Bonds for the 2016-17 biennium.
- 4 Debt Retirement.** According to the debt retirement schedule provided by TAMU System, all outstanding PUF debt from TAMU System would not be retired until fiscal year 2036 assuming no additional issuance of PUF-backed bonds.
- 5 Debt Service vs. Support and Maintenance Funding.** Pursuant to the Constitution, AUF distributions to TAMU System must first be used for debt service payments on outstanding PUF-backed bonds. The remaining distribution is for support and maintenance funding for the TAMU System Office, Texas A&M, and Prairie View A&M. Figure 4 provides a comparison of the amount of AUF allocations used for debt service versus support and maintenance for the TAMU System since 1991.
- 6 First Full Year of Operation.** While the constitutional authority for the AUF was established in 1956, the program summary includes debt service payments from 1991 as a similar reference point between the UT and TAMU Systems.

Recommended Statutory Changes for Program Improvement

None.

Table 2: Allocation of PUF bond debt service for TAMU System paid by the AUF by Component Institution

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Bud. 2015 | Est. 2016 | Est. 2017 | Total 2005-2017 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|----------------|----------------|--------------------|
| Prairie View A&M | \$ 2,927,540 | \$ 3,724,936 | \$ 6,996,229 | \$ 7,487,752 | \$ 6,066,874 | \$ 6,044,983 | \$ 6,536,253 | \$ 9,076,628 | \$ 7,546,777 | \$ 7,355,349 | \$ 7,364,348 | \$ 7,365,944 | \$ 7,373,419 | \$ 85,867,031 |
| Tarleton State University | \$ 8,636,239 | \$ 7,557,381 | \$ 4,716,866 | \$ 8,189,324 | \$ 8,588,558 | \$ 5,049,771 | \$ 10,093,667 | \$ 9,584,632 | \$ 3,354,007 | \$ 12,175,865 | \$ 8,507,709 | \$ 12,204,385 | \$ 11,892,314 | \$ 110,550,718 |
| Texas A&M | \$ 8,144,829 | \$ 9,730,857 | \$ 21,746,923 | \$ 27,537,120 | \$ 49,895,060 | \$ 21,366,354 | \$ 29,346,982 | \$ 38,039,795 | \$ 28,383,769 | \$ 46,358,016 | \$ 42,888,240 | \$ 42,894,192 | \$ 43,915,568 | \$ 410,247,706 |
| TAMU Galveston | \$ 2,351,806 | \$ 2,824,502 | \$ 1,734,131 | \$ 3,018,658 | \$ 2,793,218 | \$ 1,476,743 | \$ 1,802,729 | \$ 1,311,029 | \$ 1,443,206 | \$ 1,395,127 | \$ 1,383,015 | \$ 1,383,395 | \$ 1,745,572 | \$ 24,663,131 |
| TAMU HSC | \$ 668,912 | \$ 3,000,164 | \$ 3,303,564 | \$ 6,788,366 | \$ 7,415,464 | \$ 7,361,956 | \$ 12,738,616 | \$ 12,711,514 | \$ 6,608,408 | \$ 20,139,615 | \$ 6,570,068 | \$ 13,106,685 | \$ 12,073,425 | \$ 112,486,757 |
| TAMU Central Texas | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 501,785 | \$ 1,002,913 | \$ 3,834,980 | \$ 3,660,548 | \$ 4,189,832 | \$ 4,195,590 | \$ 17,385,649 |
| TAMU San Antonio | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 501,785 | \$ 501,483 | \$ 4,752,656 | \$ 5,215,187 | \$ 5,741,704 | \$ 5,748,989 | \$ 22,461,804 |
| A&M AgriLife Research | \$ 3,140,553 | \$ 2,650,395 | \$ 1,821,545 | \$ 3,010,932 | \$ 7,290,065 | \$ 3,734,122 | \$ 4,958,025 | \$ 4,759,964 | \$ 4,332,494 | \$ 7,051,005 | \$ 4,232,986 | \$ 5,708,254 | \$ 5,697,080 | \$ 58,387,421 |
| A&M AgriLife Extension Service | \$ 780,194 | \$ 593,681 | \$ 198,759 | \$ 491,144 | \$ 383,317 | \$ 83,291 | \$ 421,617 | \$ 267,415 | \$ 67,223 | \$ 463,721 | \$ 62,433 | \$ 277,555 | \$ 241,616 | \$ 4,331,967 |
| A&M Engineering Experiment Station | \$ 2,392,235 | \$ 2,457,077 | \$ 612,152 | \$ 2,088,684 | \$ 1,534,795 | \$ 262,931 | \$ 1,904,993 | \$ 1,331,409 | \$ 356,514 | \$ 2,345,986 | \$ 339,086 | \$ 1,393,024 | \$ 1,177,164 | \$ 18,196,051 |
| A&M Engineering Extension Service | \$ 1,511,925 | \$ 483,460 | \$ 391,086 | \$ 583,306 | \$ 675,773 | \$ 275,760 | \$ 762,466 | \$ 889,590 | \$ 269,329 | \$ 1,473,924 | \$ 276,856 | \$ 907,623 | \$ 830,461 | \$ 9,331,561 |
| A&M Forest Service | \$ 723,416 | \$ 509,399 | \$ 361,052 | \$ 557,323 | \$ 469,491 | \$ 270,122 | \$ 492,089 | \$ 449,977 | \$ 235,386 | \$ 632,778 | \$ 230,826 | \$ 445,943 | \$ 410,163 | \$ 5,787,965 |
| A&M Transportation Institute | \$ 1,163,285 | \$ 259,485 | \$ 528,916 | \$ 825,184 | \$ 944,405 | \$ 862,352 | \$ 1,868,958 | \$ 1,222,132 | \$ 631,530 | \$ 1,828,156 | \$ 631,213 | \$ 1,261,863 | \$ 1,184,856 | \$ 13,212,337 |
| TAMU System Offices | \$ 1,832,351 | \$ 301,364 | \$ 859,478 | \$ 857,657 | \$ 340,479 | \$ 215,417 | \$ 286,094 | \$ 715,131 | \$ 715,261 | \$ 653,170 | \$ 639,894 | \$ 640,353 | \$ 642,670 | \$ 8,699,321 |
| Chancellor's Research Initiative | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,453,500 | \$ 10,660,500 | \$ 10,712,250 | \$ 31,826,250 |
| Planned Future Allocations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,300,337 | \$ 22,792,847 | \$ 22,792,847 | \$ 49,886,031 |
| Total | \$ 34,273,287 | \$ 34,092,703 | \$ 43,270,701 | \$ 61,435,450 | \$ 86,397,500 | \$ 47,003,803 | \$ 71,212,489 | \$ 81,362,786 | \$ 55,448,300 | \$ 110,460,350 | \$ 96,756,247 | \$ 130,974,098 | \$ 130,633,986 | \$ 983,321,700 |

Figure 3: Outstanding and Remaining Debt Issuance Capacity - TAMU System

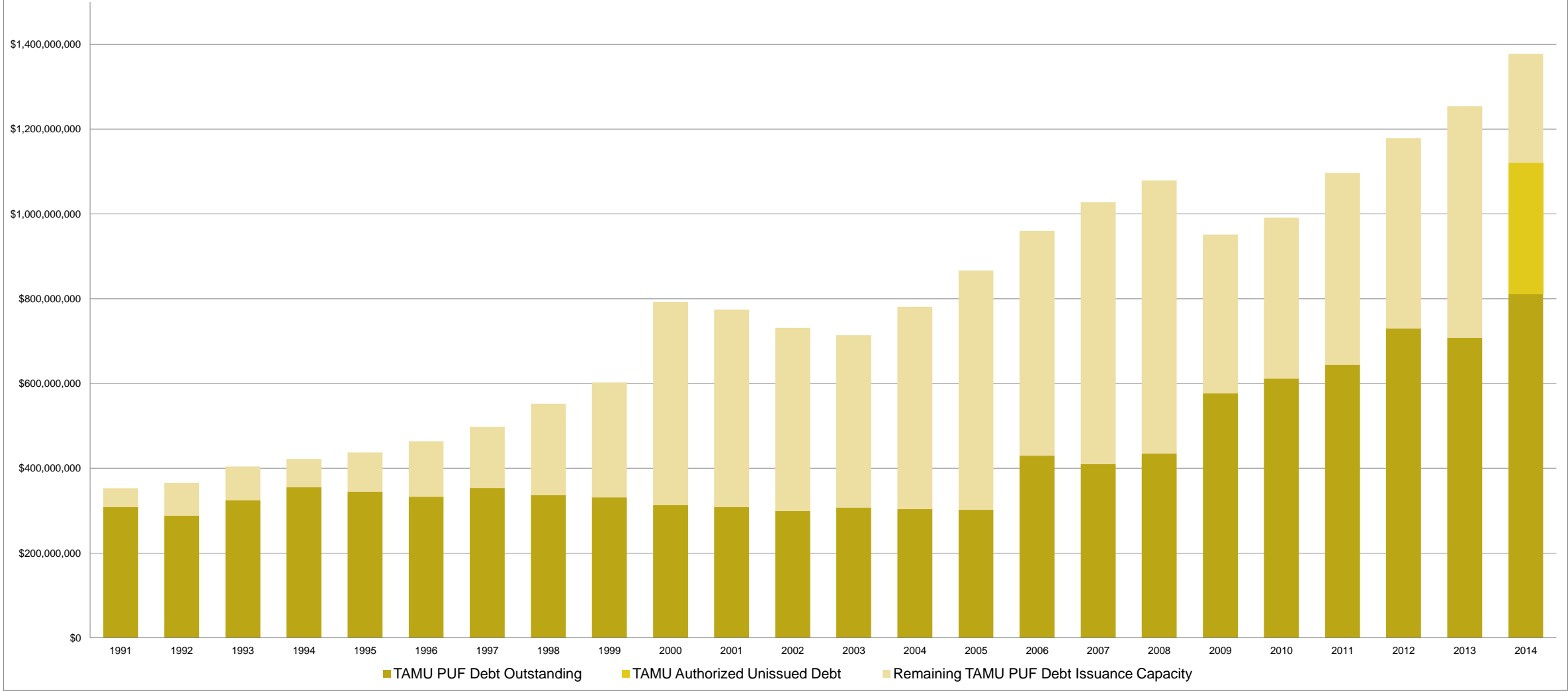
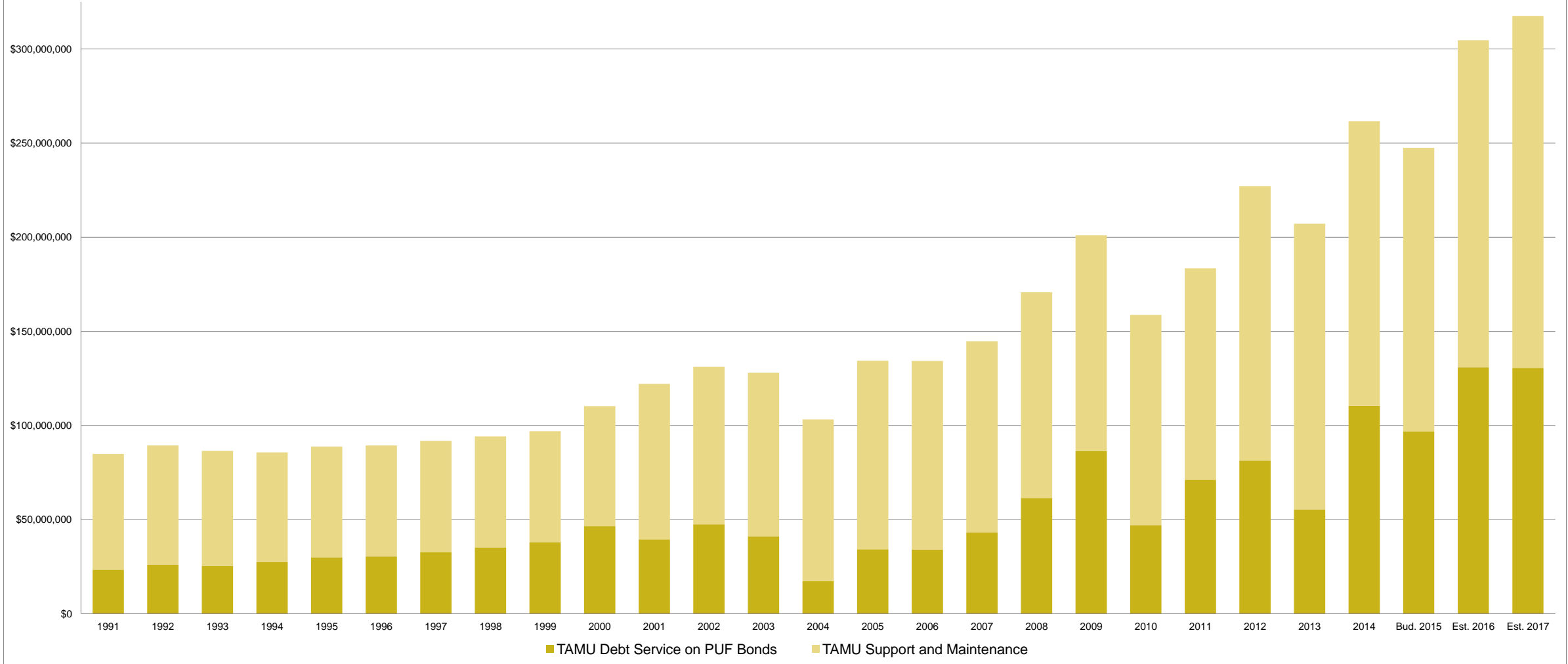


Figure 4: AUF Allocation for TAMU System - Debt Service vs. Support and Maintenance Funding



**Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)**

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: UT System Administration

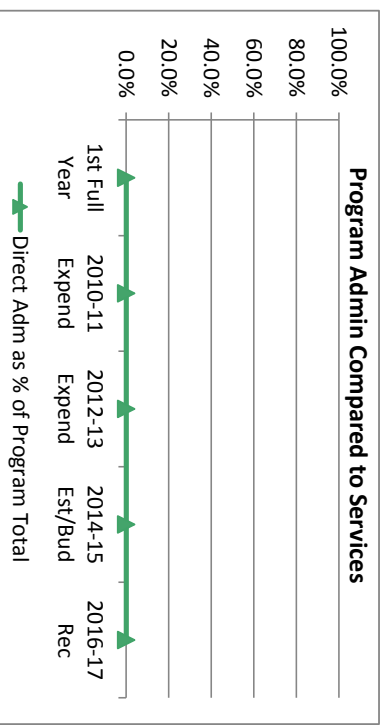
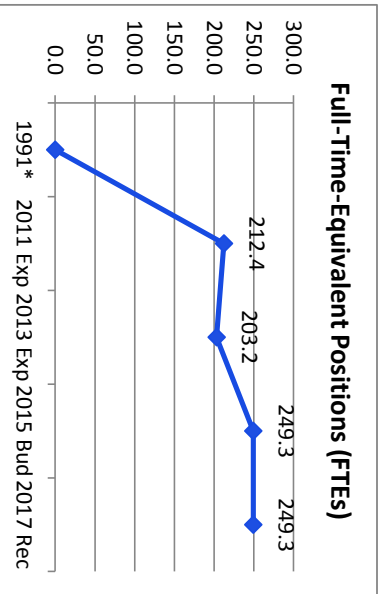
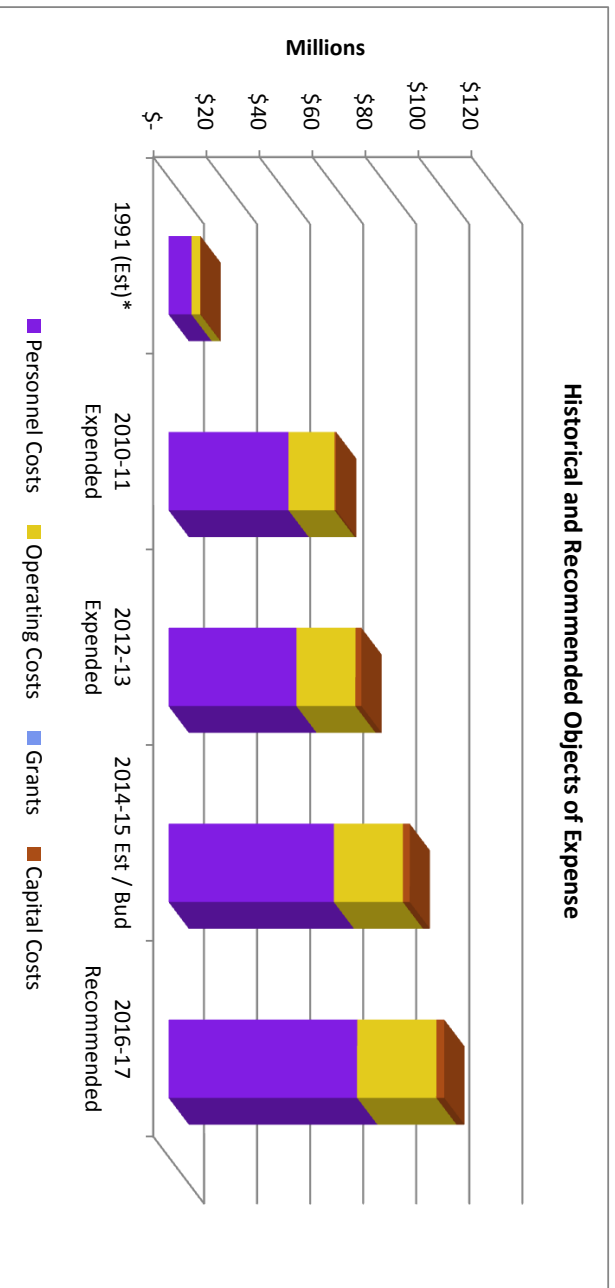
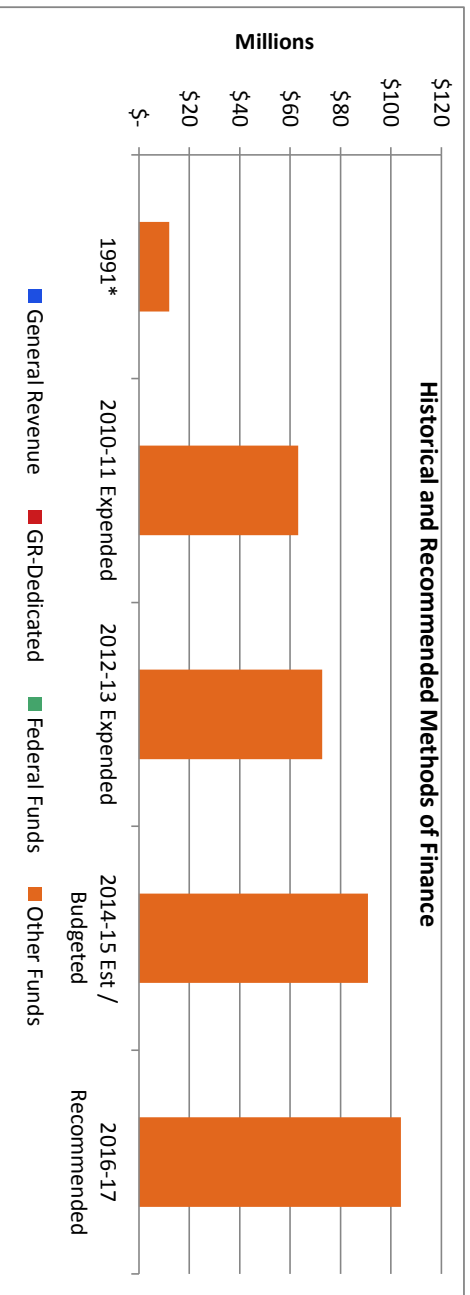
Agency Ranking
3 out of 4

AUF allocations used to provide support and maintenance funding to UT System Administration, including funding for: major repairs and rehabilitation, equipment, maintenance and operation; salaries, benefits, and support for units that provide assistance to the UT System Board of Regents and UT component institutions; and external audits.

Legal Authority: Texas Constitution, Art. VII, Sec. 18(f); Education Code, Sec. 65.14; General Appropriations Act 2014-15, Rider 3, The University of Texas System Share, Article III-64.

| | | | | | |
|---------------------|-----------|-------------------------------|--|-------------------------------|-----------|
| Year Created | 1956 | Performance and/or | | Outsourced Services | No |
| Authority | Strong | Operational Issues | No | Revenue Supported | Yes |
| Centrality | Strong | | | Use of Dedicated Funds | Compliant |
| Service Area | Statewide | State Service Category | Higher Education Instruction, Financial Aid & Research | | |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|------------------|----------------------|--------------|-----------------------|--------------|---------------|
| UT System Office | \$ 87,231,840 | 236.4 | \$ 100,193,305 | 236.4 | 96.4% |
| Board of Regents | \$ 3,684,876 | 12.9 | \$ 3,747,858 | 12.9 | 3.6% |
| TOTAL | \$ 90,916,716 | 249.3 | \$ 103,941,163 | 249.3 | 100.0% |



Program: UT System Administration

Agency Ranking **3 out of 4**

Summary of Recommendations and Fiscal and Policy Issues

1 Board of Regents. Education Code, Sec. 65.14, provides that reasonable expenses incurred by the UT System Board of Regents in order to fulfill the duties of the Board of Regents shall be paid from the AUF.

2 Management of the PUF. Education Code, Sec. 66.08, authorizes the UT Board of Regents to enter into a contract with a nonprofit corporation to invest PUF funds under the control of management of the Board of Regents. Since 1996, The University of Texas Investment Management Company (UTIMCO), a 501(c)(3) corporation, has overseen investments in the PUF. Article VII, Sec. 18(e), Texas Constitution, requires that the expenses of managing the PUF be paid by the PUF. Therefore, UTIMCO was not included as an outsourced service for the purpose of this review.

UTIMCO assesses an annual PUF management fee to cover the costs of managing the PUF and providing day-to-day operations. The UT Board of Regents has authorized UTIMCO to assess an investment oversight fee of up to 0.005 percent of the net asset value of the PUF, but currently the fee is being assessed at less than 0.001 percent. The following table provides the UTIMCO fees paid by the PUF since fiscal year 2007.

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|-----------------------------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| UTIMCO Fee (in millions) | \$ 6.48 | \$ 7.54 | \$ 8.13 | \$ 5.20 | \$ 8.47 | \$ 8.90 | \$ 12.16 | \$ 12.30 | \$ 13.03 |

3 Annual Distribution from PUF to AUF. The UT Board of Regents determines the annual distribution amount from the PUF to the AUF. Pursuant to Article VII, Sec. 18(e), Texas Constitution, the distribution must: (1) be sufficient to pay principal and interest due on PUF-backed bonds; (2) provide the AUF with a stable annual income stream; (3) maintain the purchasing power of the PUF; and (4) may not exceed an amount equal to 7 percent of the net fair market value of the PUF, except as necessary to pay any principal and interest due on PUF-backed bonds.

UT Board of Regents Rule 80303 provides that the default annual distribution rate is 4.75 percent of the three year average of the net asset value of the PUF unless the average rate of return of the PUF exceeds the expected annual return included in the PUF Investment Policy Statement by 25 basis points or more, in which case the default distribution rate is 5.0 percent. However, the UT Board of Regents has the authority to approve a distribution rate up to 7 percent. Before fiscal year 2012, the distribution rate recommended by the UT Board of Regents equaled the default distribution rate. However, for fiscal year 2012 through 2015, the approved distribution rate has exceeded the default distribution rate as shown in the following table. Reasons for the increased distribution rates include high levels of PUF royalty income, strong investment performance by UTIMCO, and the desire of the Board to provide assistance in reducing the need for tuition increases.

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 est |
|---------------------------|---------|---------|---------|-------------|
| Default Distribution Rate | 4.75% | 5.00% | 5.00% | 4.75% |
| Board Approved Rate | 5.50% | 5.69% | 7.00% | 5.50% |

4 Full-time Equivalent Positions. UT System Administration FTE's whose salaries and wages are paid with AUF are included in the UT System Administration FTE cap. The bill pattern for the AUF does not include FTE information.

5 AUF Balance Reserves. The UT System Administration maintains a AUF balance reserve of at least \$30 million at all times. This reserve is intended to cover any unexpected maintenance needs throughout the UT System and to provide a cushion for any market volatility that could impact future PUF distributions to AUF. As of August 31, 2014, the AUF reserve for UT System totaled \$200.5 million.

6 First Full Year of Operation. While the constitutional authority for the AUF was established in 1956, the program summary includes AUF funding for UT System from 1991 as a similar reference point between the UT and TAMU Systems. The object of expense amounts included for fiscal year 1991 in the "Historical and Recommended Objects of Expense" chart on the previous page are estimated based on the relative object of expense distribution in fiscal year 2010. The number of FTEs included in the program in fiscal year 1991 is unknown.

7 New Rider Requirements. House Bill 1 as Introduced provides additional guidance on the use of AUF by UT System and includes the following new rider requirements regarding the use of the AUF for UT System Administration:

- In addition to existing reporting requirements, UT and TAMU Systems must report additional information regarding the use of the AUF for system office operations and system initiatives to the Legislative Budget Board;
- AUF appropriations used for system office operations and system initiatives by the UT System shall not increase more than two percent above the AUF amounts allocated for system office operations and system initiatives in the 2014-15 biennium; and
- The UT and TAMU System must categorize all expenditures made with AUF appropriations into one of the following categories: debt service; system office operations; system initiatives; or support and maintenance for eligible component institutions.

Recommended Statutory Changes for Program Improvement

None.

**Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)**

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: TAMU System Operations

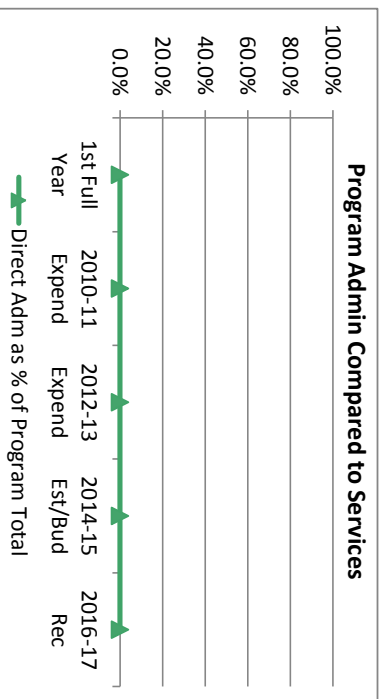
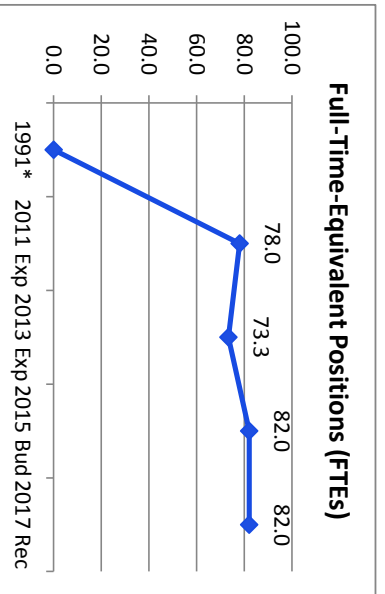
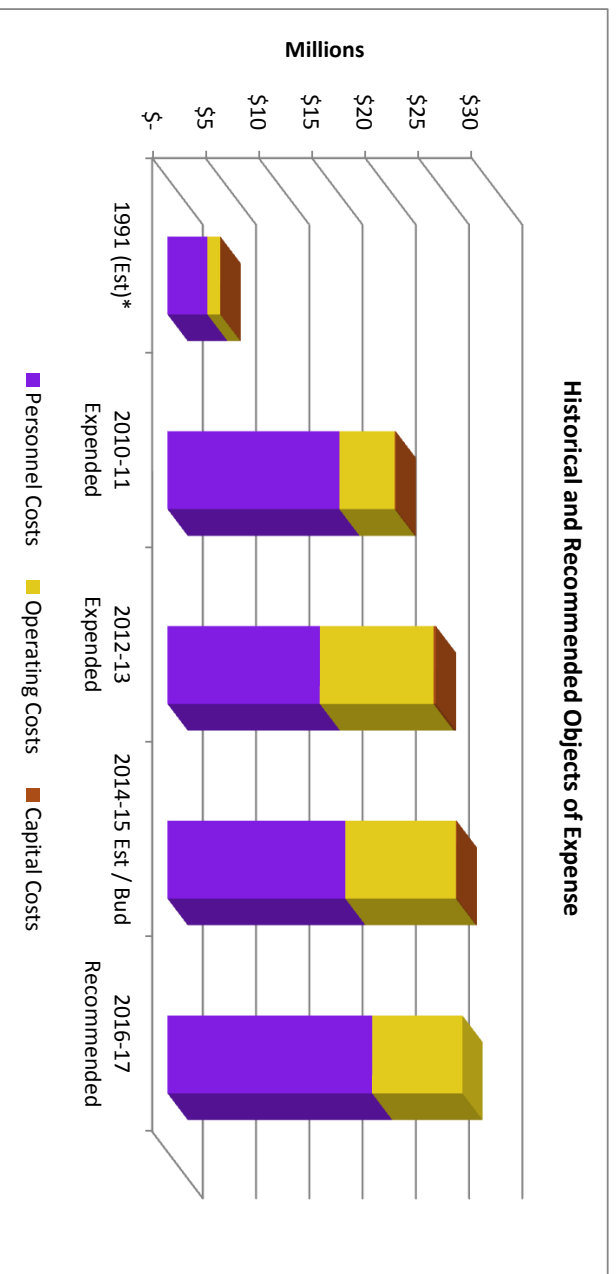
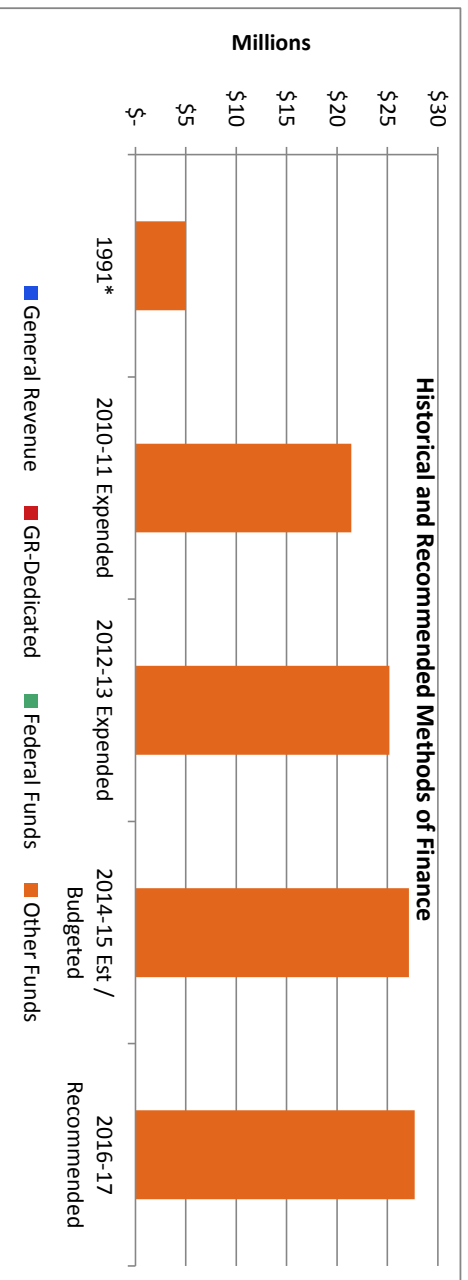
Agency Ranking
4 out of 5

AUF allocations used to support TAMU System Offices in providing operational support for the TAMU System and component institutions.

Legal Authority: Texas Constitution, Article VII, Sec. 18(f); General Appropriations Act 2014-15, Rider 2, Texas A&M University System Share, Article III-63.

| | | | | | | | |
|---------------------|--------|-------------------------------------|-----------|-------------------------------|---|--|-----|
| Year Created | 1956 | Performance and/or Authority | Strong | Operational Issues | No | Outsourced Services Revenue Supported | No |
| Centrality | Strong | Service Area | Statewide | Use of Dedicated Funds | State Service Category Higher Education Instruction, Financial Aid & Research | Compliant | Yes |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|--------------------------|----------------------|-------------|----------------------|-------------|---------------|
| System Office Operations | \$ 26,971,438 | 82.0 | \$ 27,500,000 | 82.0 | 99.3% |
| Board of Regents | \$ 182,562 | 0.0 | \$ 200,000 | 0.0 | 0.7% |
| TOTAL | \$ 27,154,000 | 82.0 | \$ 27,700,000 | 82.0 | 100.0% |



Program: TAMU System Operations

Agency Ranking **4 out of 5**

Summary of Recommendations and Fiscal and Policy Issues

- 1 AUF Balance Reserves.** TAMU System maintains an AUF balance reserve equal to one-half year's debt service. This reserve is intended to ensure market fluctuations do not impact the TAMU System's ability to continue paying debt service. As of August 31, 2014, the AUF reserve balance for TAMU System totaled \$96.4 million.
- 2 Full-time Equivalent Positions.** TAMU System FTE's whose salaries and wages are paid with AUF are included in the TAMU System Administrative and General Offices FTE cap. The bill pattern for the AUF does not include FTE information.
- 3 First Full Year of Operation.** While the constitutional authority for the AUF was established in 1956, the program summary includes AUF funding for TAMU System from 1991 as a similar reference point between the UT and TAMU Systems. The object of expense amounts included for fiscal year 1991 in the "Historical and Recommended Objects of Expense" chart on the previous page are estimated based on the relative object of expense distribution in fiscal year 2010. The number of FTEs included in the program in fiscal year 1991 is unknown.
- 4 New Rider Requirements.** House Bill 1 as Introduced includes the following new rider requirements regarding the use of the AUF for TAMU System Operations:
 - In addition to existing reporting requirements, UT and TAMU Systems must report additional information regarding the use of the AUF for system office operations and system initiatives to the Legislative Budget Board; and
 - The UT and TAMU System must categorize all expenditures made with AUF appropriations into one of the following categories: debt service; system office operations; system initiatives; or support and maintenance for eligible component institutions.

Recommended Statutory Changes for Program Improvement

None.

**Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)**

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program : UT Austin

**Agency
Ranking**

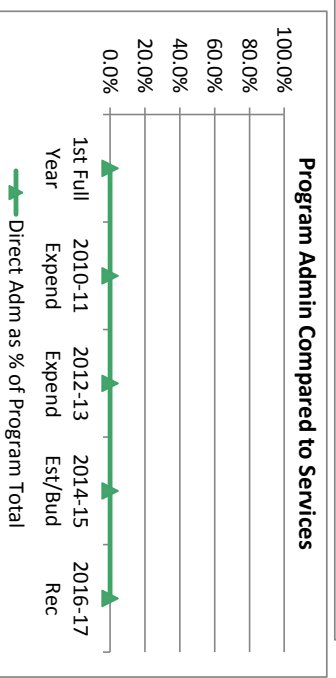
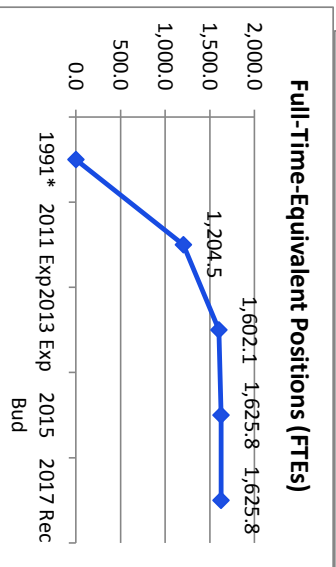
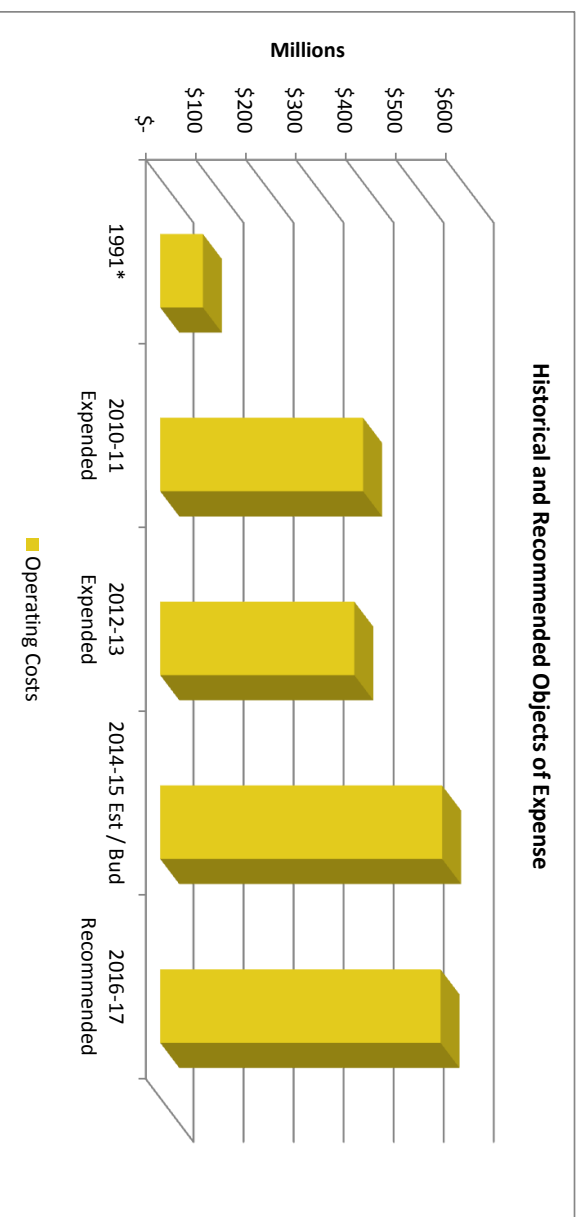
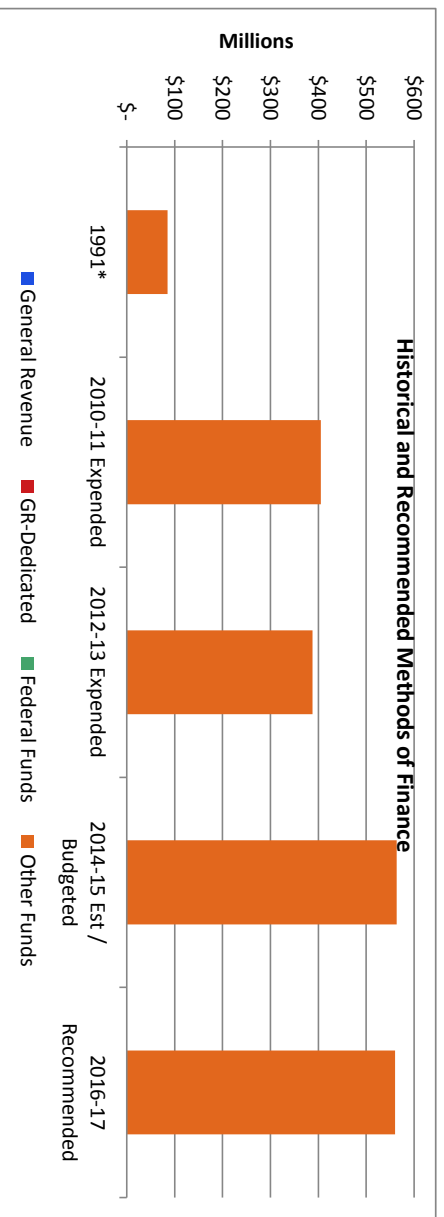
2 out of 5

AUF funding to provide support and maintenance to UT Austin, including funding to support program enrichment purposes such as: improving instructional, research, and outreach excellence; recruiting and retaining talented faculty and students; promoting institutional accountability and enhanced connections to the public; and Regents outstanding teachers awards.

Legal Authority: Texas Constitution, Article VII, Sec. 18(f); General Appropriations Act 2014-15, Rider 3, The University of Texas System Share, Article III-64.

| | | | | | |
|---------------------|----------|-------------------------------|--|-------------------------------|-----------|
| Year Created | 1956 | Performance and/or | | Outsourced Services | No |
| Authority | Strong | Operational Issues | No | Revenue Supported | Yes |
| Centrality | Strong | | | Use of Dedicated Funds | Compliant |
| Service Area | Regional | State Service Category | Higher Education Instruction, Financial Aid & Research | | |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|---|-----------------------|----------------|-----------------------|----------------|---------------|
| Excellence Funding | \$ 453,395,000 | 1,625.8 | \$ 508,035,000 | 1,625.8 | 90.7% |
| System wide Technology and Telecommunications | \$ 2,120,000 | 0.0 | \$ 2,120,000 | 0.0 | 0.4% |
| Dell Medical School | \$ 42,000,000 | 0.0 | \$ 50,000,000 | 0.0 | 8.9% |
| Other Projects and Capital | \$ 65,952,268 | 0.0 | \$ - | 0.0 | 0.0% |
| TOTAL | \$ 563,467,268 | 1,625.8 | \$ 560,155,000 | 1,625.8 | 100.0% |



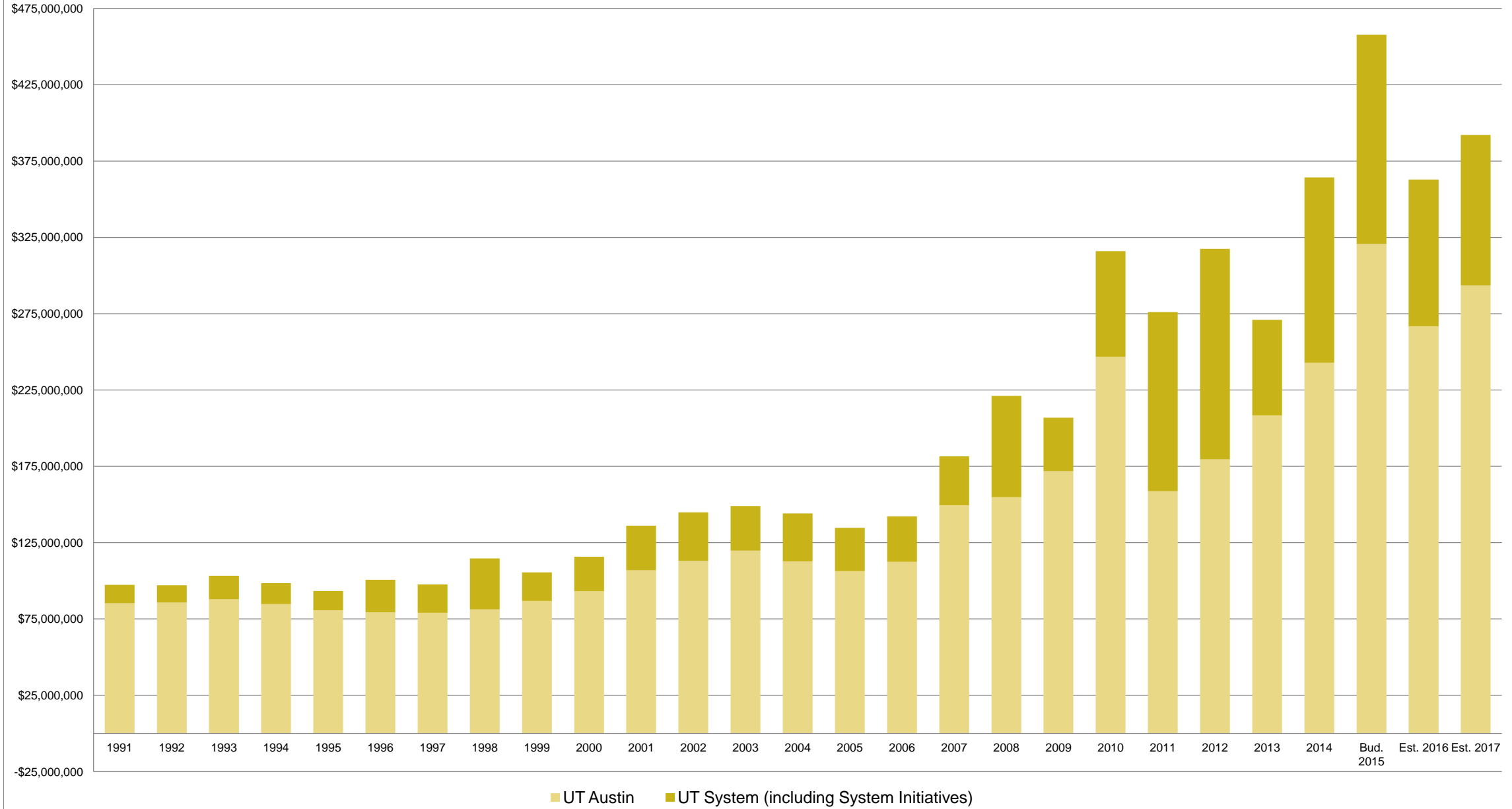
Summary of Recommendations and Fiscal and Policy Issues

- 1 Distribution Policy.** Pursuant to Art. VII, Sec. 18(f), Texas Constitution, UT Austin is the only component institution of the UT System eligible to receive AUF support and maintenance funding. The UT Board of Regents determine the distribution of AUF support and maintenance funding between UT Austin and the System Office. However, UT Board of Regents Rule 80303 requires that UT Austin must receive no less than 45 percent of the annual support and maintenance funding available to the UT System. Figure 5 provides a comparison of support and maintenance funding distributed to UT Austin and UT System since 1991.
- 2 Excellence Funding.** AUF provides funding for many excellence and support functions for UT Austin, but the largest portion of the excellence expenditures go toward Instructional Support (similar to Texas A&M), followed by Recruitment and Retention of Talent, and Institutional Accountability and Enhanced Connections to the Public. For reference, Figure 6 provides a comparison of expenditures for all UT Austin support and maintenance activities by category for fiscal year 2014 and Table 3 provides an overview of UT Austin support and maintenance expenditures since fiscal year 2010.
- 3 Dell Medical School.** The UT Board of Regents committed a portion of the AUF support and maintenance funding for the Dell Medical School at UT Austin. The annual commitment is equal to the greater of \$25 million or a 3 percent increase in the annual AUF distribution to UT Austin from 45 to 48 percent of the total support and maintenance funding. The first allocation of \$25 million was split between fiscal year 2013 and fiscal year 2014 to support identified startup needs at the medical school.
- 4 AUF Balance Reserves.** Similar to UT System, UT Austin maintains a AUF balance reserve in order to cover any emergency needs. As of August 31, 2014, AUF Net Assets at UT Austin totaled \$175.9 million.
- 5 Full-time Equivalent Positions.** UT Austin FTEs whose salaries and wages are paid with AUF are included in the UT Austin FTE cap. The bill pattern for the AUF does not include FTE information.
- 6 First Full Year of Operation.** While the constitutional authority for the AUF was established in 1956, the program summary includes AUF funding for UT Austin from 1991 as a similar reference point between the UT and TAMU Systems. The number of FTEs included in the program in fiscal year 1991 is unknown.
- 7 Historical and Recommended Objects of Expense.** The objects of expense are unknown for the UT Austin program, therefore the operating costs object of expense is used as a placeholder to represent the AUF allocations to the program each biennium.

Recommended Statutory Changes for Program Improvement

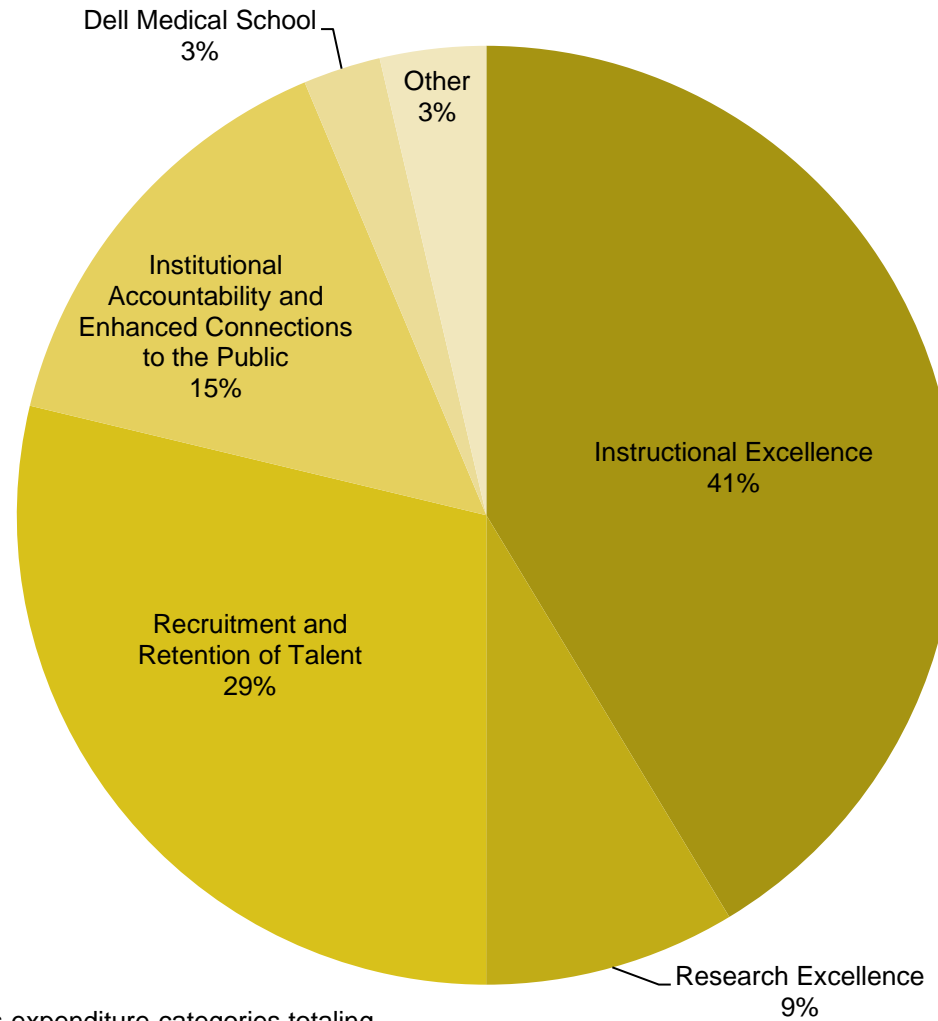
None

Figure 5: Support and Maintenance Funding Distribution Comparison - UT System vs. UT Austin



**Figure 6: UT Austin Support and Maintenance Expenditures
FY 2014**

Total Expenditures FY14: \$216.4 million



Note: "Other " includes expenditure categories totaling less than 2 percent of the total expenditure amount.

Table 3: AUF Support and Maintenance Funding Expenditures - UT Austin

| | 2010 | 2011 | 2012 | 2013 | 2014 | Bud. 2015 | Est. 2016 | Est. 2017 |
|---|----------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| UT Austin Allocation | \$ 246,750,000 | \$ 158,730,000 | \$ 179,560,000 | \$ 208,345,000 | \$ 242,817,268 | \$ 320,650,000 | \$ 266,765,000 | \$ 293,390,000 |
| Expenditure Categories: | | | | | | | | |
| Instructional Excellence | \$ 63,287,715 | \$ 52,356,794 | \$ 86,306,723 | \$ 85,318,664 | \$ 89,458,372 | \$ 115,397,648 | \$ 117,912,648 | \$ 128,537,648 |
| Research Excellence | \$ 25,507,624 | \$ 23,371,813 | \$ 21,039,201 | \$ 34,975,061 | \$ 18,748,698 | \$ 14,993,910 | \$ 14,993,910 | \$ 14,993,910 |
| Outreach Excellence | \$ 4,240,252 | \$ 4,396,279 | \$ 3,964,479 | \$ 4,270,209 | \$ 3,723,522 | \$ 2,866,973 | \$ 2,866,973 | \$ 2,866,973 |
| Recruitment and Retention of Talent | \$ 54,168,551 | \$ 56,966,802 | \$ 55,371,640 | \$ 61,841,908 | \$ 62,192,287 | \$ 55,765,670 | \$ 55,765,670 | \$ 71,765,670 |
| Institutional Accountability and Enhanced Connections to the Public | \$ 17,588,621 | \$ 21,851,959 | \$ 23,864,033 | \$ 26,155,737 | \$ 32,298,267 | \$ 48,248,469 | \$ 53,248,469 | \$ 53,248,469 |
| Regents Outstanding Teachers Awards | \$ 946,000 | \$ 946,000 | \$ 742,500 | \$ - | \$ 715,000 | \$ - | \$ - | \$ - |
| Center for Technology Commercialization | \$ 231,597 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transforming Undergraduate Education Program | \$ 377,203 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Texas NanoElectronics Research Superiority Award | \$ 1,835,890 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Faculty Recruitment | \$ 582,952 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Dell Medical School | \$ - | \$ - | \$ - | \$ 1,740,191 | \$ 5,783,477 | \$ 24,974,765 | \$ 24,974,765 | \$ 24,974,765 |
| System wide Technology and Telecommunication Fund | \$ 1,704,661 | \$ 5,931,043 | \$ 8,557,174 | \$ 6,588,968 | \$ 3,465,413 | \$ 2,002,565 | \$ 2,002,565 | \$ 2,002,565 |
| Total Expenses: | \$ 170,471,066 | \$ 165,820,690 | \$ 199,845,750 | \$ 220,890,738 | \$ 216,385,036 | \$ 264,250,000 | \$ 271,765,000 | \$ 298,390,000 |
| Addition to (use of) AUF Reserves: | \$ 76,278,934 | \$ (7,090,690) | \$ (20,285,750) | \$ (12,545,738) | \$ 26,432,232 | \$ 56,400,000 | \$ (5,000,000) | \$ (5,000,000) |

Notes:

- Of the distributions made to UT Austin during fiscal year 2010, a total of \$53 million was provided with the intent that it be expended in fiscal year 2011 through fiscal year 2013.
- Of the distributions made to UT Austin during fiscal year 2014, a total of \$7.6 million was transferred in late August 2014. An additional \$19 million has been set aside for a long-term project (enterprise resource planning implementation).
- Fiscal year 2015 includes \$56.4 million from a special one-time 1.5 percent increase to the AUF distribution rate approved by the UT Board of Regents. Because the use of the funds has not been determined at this time, the funding is not included in the fiscal year 2015 expenditures and is captured in the addition to AUF reserves.

**Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)**

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program : Texas A&M University

**Agency
Ranking**

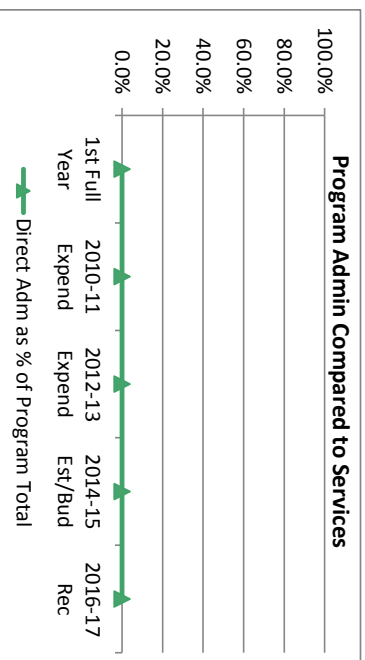
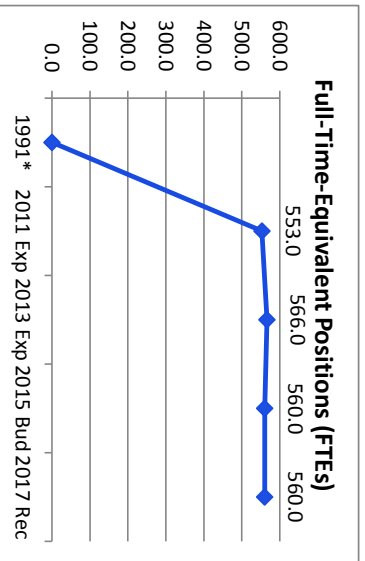
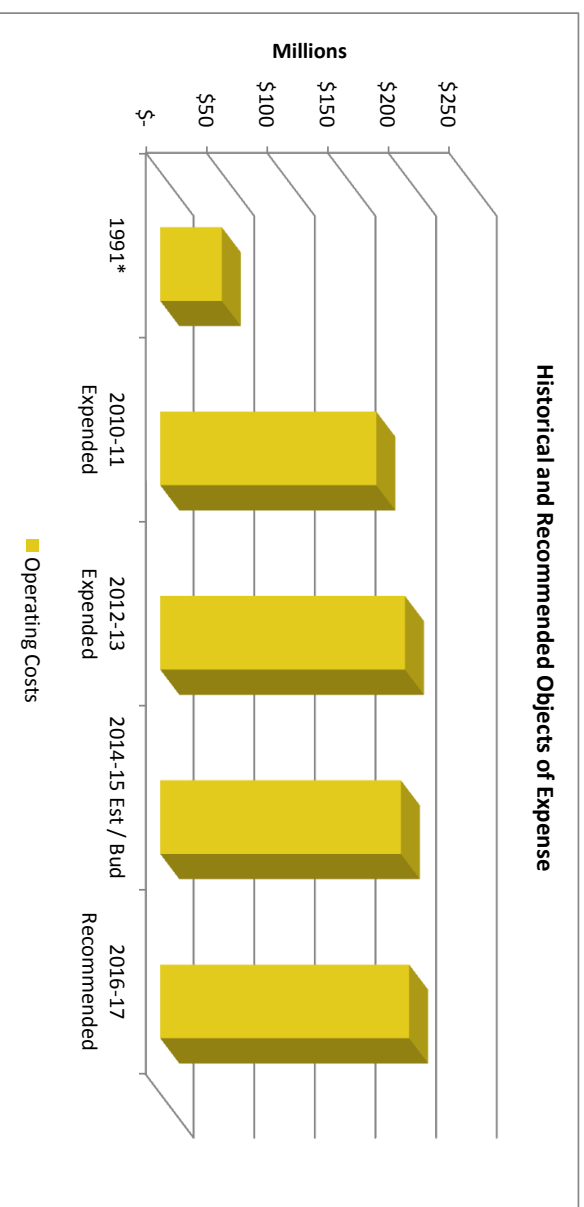
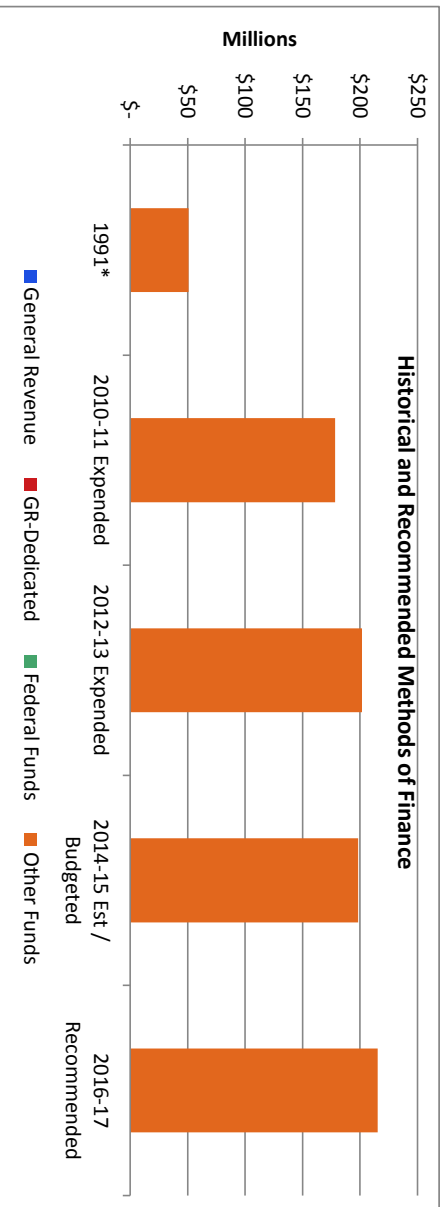
2 out of 5

AUF funding to provide support to Texas A&M to recruit and support world class faculty, provide academic and student support, and excellence funding to meet the goals of closing the gaps, and leverage for obtaining vital research awards in an increasingly competitive environment.

Legal Authority: Texas Constitution, Article VII, Sec. 18(f); General Appropriations Act 2014-15, Rider 2, Texas A&M University System Share, Article III-63.

| | | | | | |
|---------------------|----------|-------------------------------|--|-------------------------------|-----------|
| Year Created | 1956 | Performance and/or | | Outsourced Services | No |
| Authority | Strong | Operational Issues | No | Revenue Supported | Yes |
| Centrality | Strong | | | Use of Dedicated Funds | Compliant |
| Service Area | Regional | State Service Category | Higher Education Instruction, Financial Aid & Research | | |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|---|-----------------------|--------------|-----------------------|--------------|---------------|
| Texas A&M Operational Support | \$ 185,963,000 | 560.0 | \$ 190,292,000 | 560.0 | 88.4% |
| Law School Supplement | \$ 6,000,000 | 0.0 | \$ 10,000,000 | 0.0 | 4.6% |
| TAMU Institute for Advanced Study | \$ 3,000,000 | 0.0 | \$ - | 0.0 | 0.0% |
| Health Science Center Gross Anatomy Lab | \$ 3,500,000 | 0.0 | \$ - | 0.0 | 0.0% |
| Classroom/Lab/Research/Faculty Support | \$ - | 0.0 | \$ 5,000,000 | 0.0 | 2.3% |
| Ag and Life Science Building #4 | \$ - | 0.0 | \$ 10,000,000 | 0.0 | 4.6% |
| TOTAL | \$ 198,463,000 | 560.0 | \$ 215,292,000 | 560.0 | 100.0% |



Program : Texas A&M University

Agency
Ranking **2 out of 5**

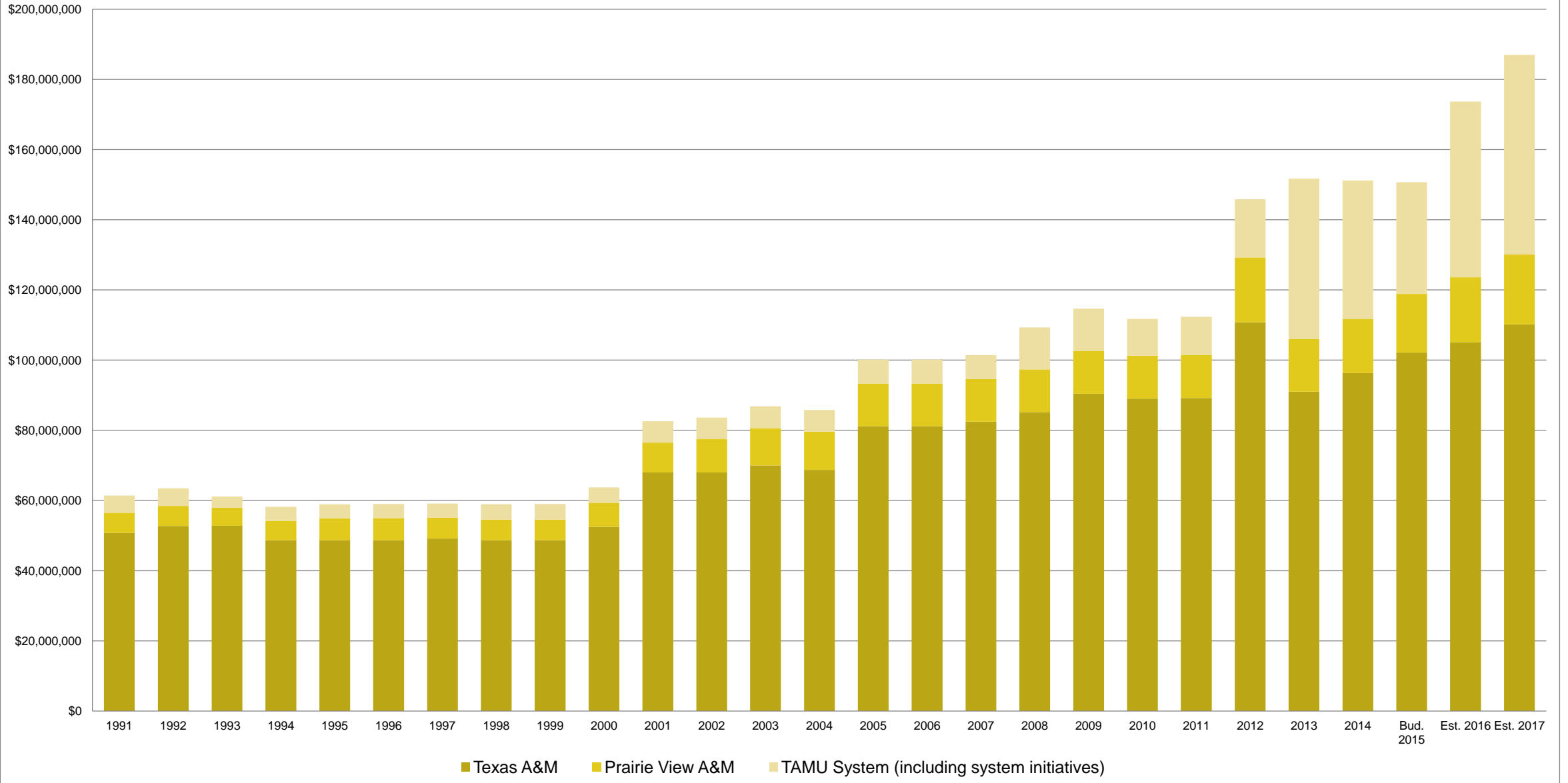
Summary of Recommendations and Fiscal and Policy Issues

- 1 Distribution Policy.** Pursuant to Art. VII, Sec. 18(f), Texas Constitution, Texas A&M and Prairie View A&M are the only component institutions of the TAMU System eligible to receive AUF support and maintenance funding. The Constitution also requires the TAMU System Board of Regents to allocate "just and equitable appropriations" of AUF support and maintenance funding between Texas A&M and Prairie View A&M. To fulfill this requirement, the distribution of AUF support and maintenance funding between the two institutions is based on each institution's respective formula funded semester credit hours. Figure 7 provides a comparison of support and maintenance funding distributed to Texas A&M, Prairie View A&M, and TAMU System Offices since 1991.
- 2 Operational Support.** AUF provides funding for many excellence and support functions for Texas A&M, but the majority of the operational support expenditures go toward instructional support (similar to UT Austin). For your reference, Figure 8 provides a comparison of expenditures for the Texas A&M operational support activity by category for fiscal year 2014 and Table 4 provides an overview of Texas A&M operational support funding expenditures since fiscal year 2010.
- 3 Law School Supplement.** In May 2014, the TAMU Board of Regents committed \$1 million per fiscal year of AUF allocations to the School of Law for five years (FY 2014-18). The Regents also allow for an additional \$4 million per year for five years (FY 2015-19) to match any private grants made to the School of Law. Any private grants raised above \$4 million in a year will be matched if possible in subsequent years as long as the AUF allocation does not exceed \$4 million per year or a maximum of \$20 million in matching funds over the five-year period. This funding is intended to help the School of Law acquire resources required to facilitate the progress of the law school to better serve students and the state.
- 4 Ag and Life Sciences Building.** The planned AUF allocation of \$10 million in the 2016-17 biennium will provide a portion of the funding needed to construct the fourth building of the Agriculture and Life Sciences Complex, which is budgeted to cost \$32.5 million. Depending on the availability of PUF capacity, some of the project may be funded with PUF debt proceeds instead of AUF.
- 5 Program Ranking.** TAMU System ranked the Texas A&M and Prairie View A&M programs at the same level to maintain the just and equitable standard provided by the Constitution.
- 6 Full-time Equivalent Positions.** FTE's whose salaries and wages are paid with AUF are included in the Texas A&M FTE cap. The bill pattern for the AUF does not include FTE information.
- 7 First Full Year of Operation.** While the constitutional authority for the AUF was established in 1956, the program summary includes AUF funding for Texas A&M from 1991 as a similar reference point between the UT and TAMU Systems. The number of FTEs included in the program in fiscal year 1991 is unknown.
- 8 Historical and Recommended Objects of Expense.** The objects of expense are unknown for the Texas A&M program, therefore the operating costs object of expense is used as a placeholder to represent the AUF allocations to the program each biennium.

Recommended Statutory Changes for Program Improvement

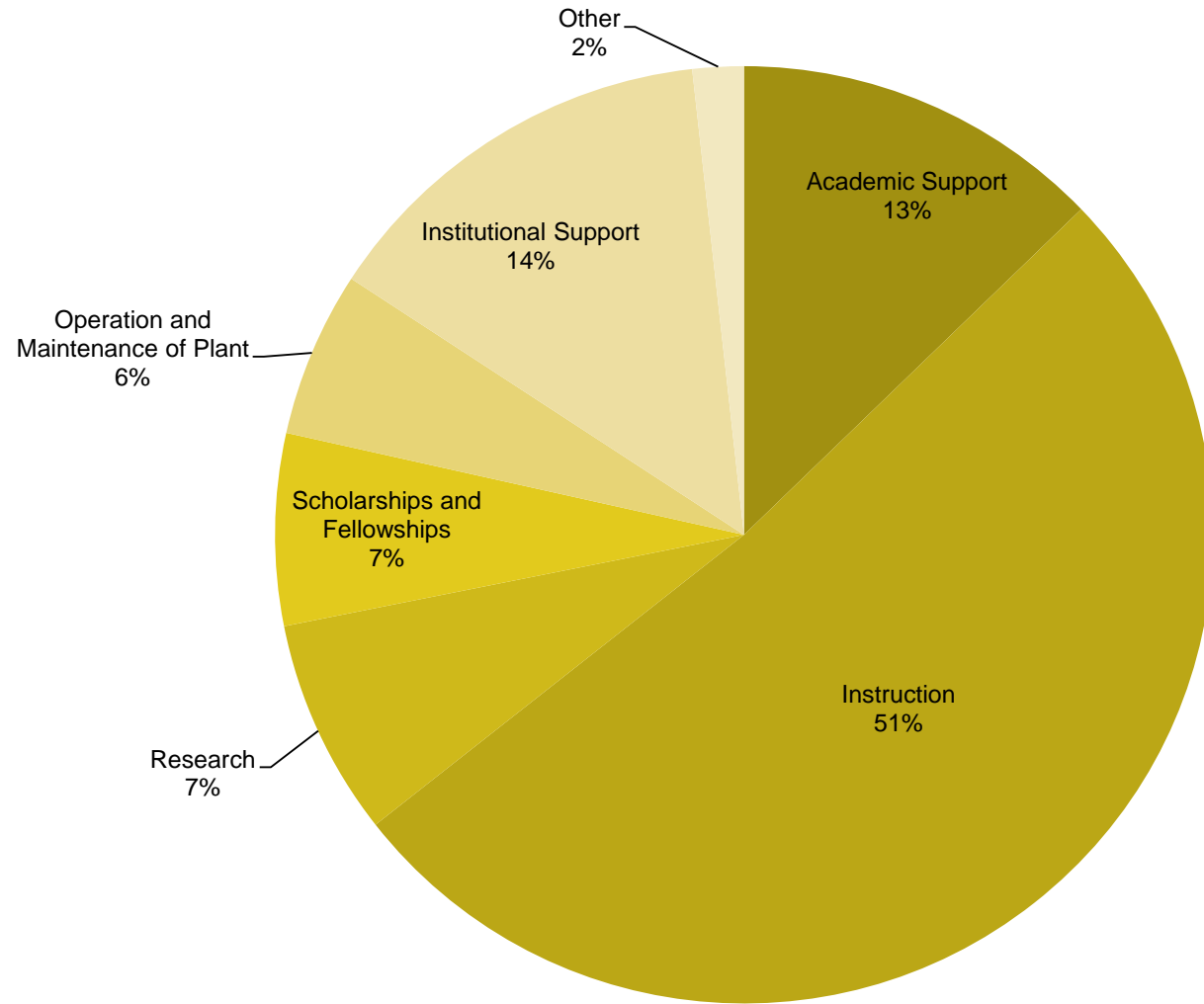
None.

Figure 7: Support and Maintenance Funding Distribution Comparison - TAMU System , Texas A&M, Prairie View A&M



**Figure 8: Texas A&M Support and Maintenance Expenditures
FY 2014**

Total Expenditures FY14: \$91.3 million



Note: "Other " includes expenditure categories totaling less than 2 percent of the total expenditure amount.

Table 4: AUF Support and Maintenance Funding Expenditures - Texas A&M Operational Support

| | 2010 | 2011 | 2012 | 2013 | 2014 | Bud. 2015 | Est. 2016 | Est. 2017 |
|---|---------------|---------------|-----------------|---------------|---------------|----------------|----------------|----------------|
| Texas A&M Operational Support | \$ 88,500,000 | \$ 89,000,000 | \$ 90,860,000 | \$ 91,029,000 | \$ 91,817,000 | \$ 100,146,000 | \$ 100,146,000 | \$ 100,146,000 |
| Expenditure Categories: | | | | | | | | |
| Academic Support | \$ 6,101,577 | \$ 6,395,593 | \$ 7,261,725 | \$ 9,248,115 | \$ 11,662,368 | \$ 12,795,843 | \$ 12,795,843 | \$ 12,795,843 |
| Instruction | \$ 58,065,093 | \$ 45,858,717 | \$ 45,053,995 | \$ 33,231,576 | \$ 47,106,648 | \$ 51,684,983 | \$ 51,684,983 | \$ 51,684,983 |
| Student Services | \$ 3,223,935 | \$ 1,119,548 | \$ 1,497,481 | \$ 1,904,407 | \$ 1,553,080 | \$ 1,704,025 | \$ 1,704,025 | \$ 1,704,025 |
| Research | \$ 4,399,254 | \$ 4,049,787 | \$ 8,929,399 | \$ 5,042,271 | \$ 6,834,299 | \$ 7,498,530 | \$ 7,498,530 | \$ 7,498,530 |
| Scholarships and Fellowships | \$ 3,740,665 | \$ 4,021,977 | \$ 28,126,761 | \$ 6,205,391 | \$ 6,037,844 | \$ 6,624,667 | \$ 6,624,667 | \$ 6,624,667 |
| Public Service | \$ 36,668 | \$ 3,103 | \$ (6,032) | \$ 51,119 | \$ 58,299 | \$ 63,965 | \$ 63,965 | \$ 63,965 |
| Operation and Maintenance of Plant | \$ 2,249,563 | \$ 6,267,108 | \$ 15,891,721 | \$ 3,546,393 | \$ 5,210,598 | \$ 5,717,020 | \$ 5,717,020 | \$ 5,717,020 |
| Institutional Support | \$ 8,096,257 | \$ 9,903,222 | \$ 16,826,632 | \$ 9,006,797 | \$ 12,811,778 | \$ 14,056,966 | \$ 14,056,966 | \$ 14,056,966 |
| Total Expenses: | \$ 85,913,012 | \$ 77,619,056 | \$ 123,581,681 | \$ 68,236,069 | \$ 91,274,913 | \$ 100,146,000 | \$ 100,146,000 | \$ 100,146,000 |
| Addition to (use of) AUF Reserves: | \$ 2,586,988 | \$ 11,380,944 | \$ (32,721,681) | \$ 22,792,931 | \$ 542,087 | \$ - | \$ - | \$ - |

Note:

- Texas A&M Operational Support allocations include allocations for the Law School Supplement.

**Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)**

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: Prairie View A&M University

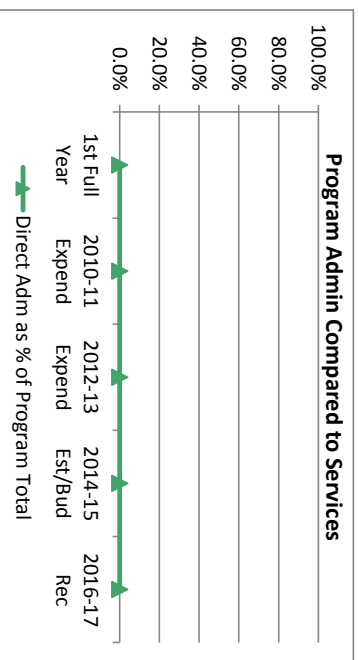
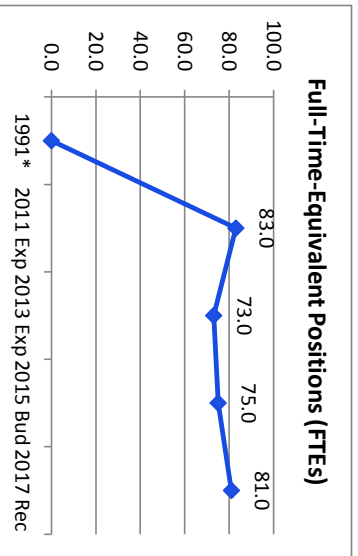
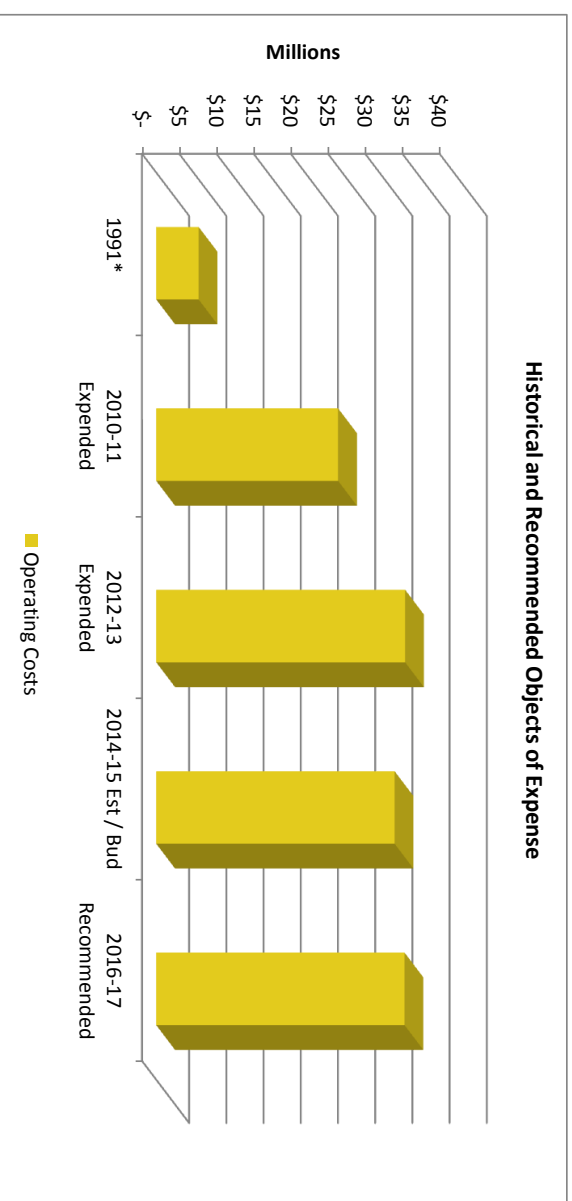
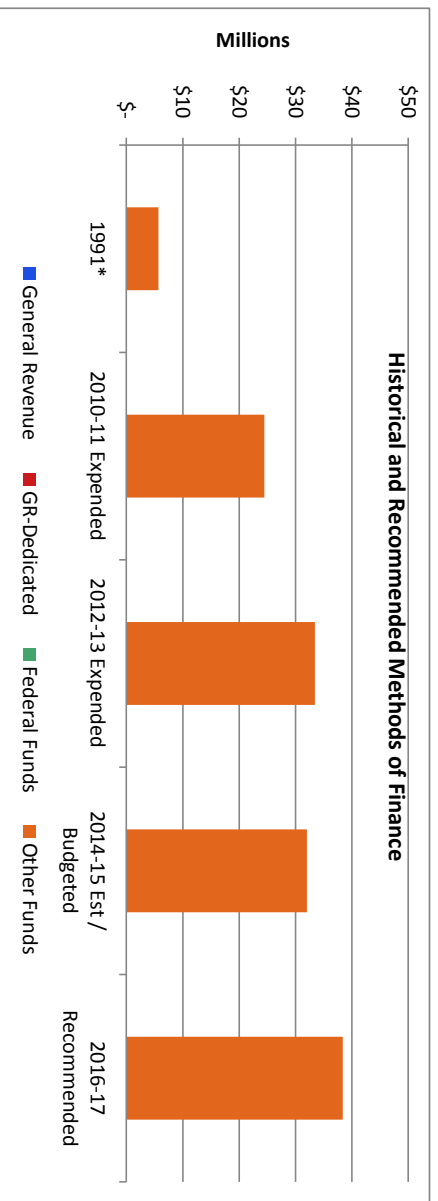
Agency Ranking
2 out of 5

AUF funding to support Prairie View A&M to recruit and support world class faculty, provide academic and student support, and excellence funding to meet the goals of closing the gaps, and leverage for obtaining vital research awards in an increasingly competitive environment.

Legal Authority: Texas Constitution, Article VII, Sec. 18(f); General Appropriations Act 2014-15, Rider 2, Texas A&M University System Share, Article III-63.

| | | | | | | | |
|---------------------|--------|-------------------------------------|----------|-------------------------------|--|--|-----------|
| Year Created | 1956 | Performance and/or Authority | Strong | Operational Issues | No | Outsourced Services Revenue Supported | No |
| Centrality | Strong | Service Area | Regional | State Service Category | Higher Education Instruction, Financial Aid & Research | Use of Dedicated Funds | Compliant |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|--|----------------------|-------------|----------------------|-------------|---------------|
| Prairie View A&M Operational Support | \$ 31,037,000 | 75.0 | \$ 31,708,000 | 81.0 | 82.6% |
| Fair and Equitable | \$ 1,002,000 | 0.0 | \$ 1,670,000 | 0.0 | 4.4% |
| Entrace to Campus | \$ - | 0.0 | \$ 1,000,000 | 0.0 | 2.6% |
| Welcome Center/Classroom Renovation/Student Center | \$ - | 0.0 | \$ 4,000,000 | 0.0 | 10.4% |
| TOTAL | \$ 32,039,000 | 75.0 | \$ 38,378,000 | 81.0 | 100.0% |



Program: Prairie View A&M University

Agency
Ranking **2 out of 5**

Summary of Recommendations and Fiscal and Policy Issues

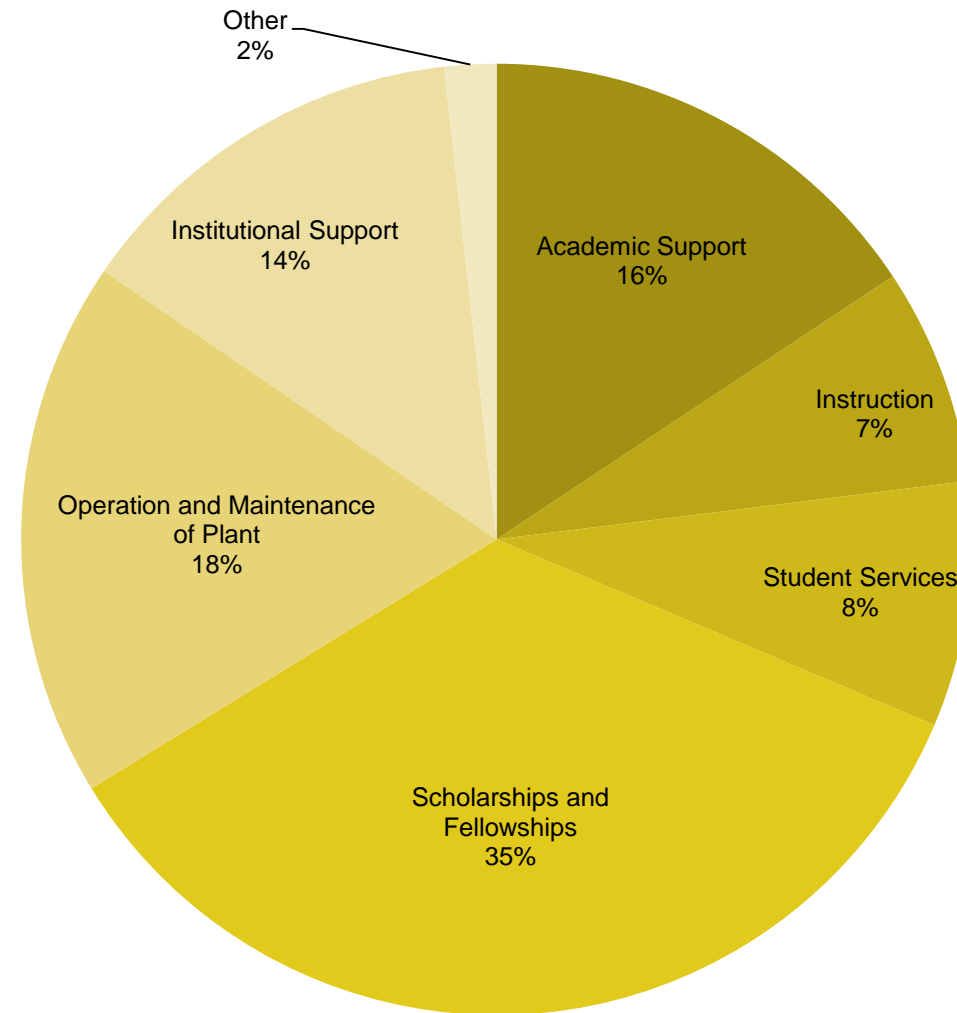
- 1 Distribution Policy.** Pursuant to Art. VII, Sec. 18(f), Texas Constitution, Prairie View A&M and Texas A&M are the only component institutions of the TAMU System eligible to receive AUF support and maintenance funding. The Constitution also requires the TAMU System Board of Regents to allocate "just and equitable appropriations" of AUF support and maintenance funding between Prairie View A&M and Texas A&M. To fulfill this requirement, the distribution of AUF support and maintenance funding between the two institutions is based on each institution's respective formula funded semester credit hours. The distribution is updated every year to ensure the fair and equitable standard is maintained. The Fair and Equitable activity included in the summary represents projected increases in AUF allocations to Prairie View.
- 2 Operational Support.** AUF provides funding for many excellence and support functions for Prairie View A&M. However, the majority of the operational support expenditures go toward Scholarships and Fellowships and Institutional Support. Even though Prairie View A&M receives much less support and maintenance funding compared to Texas A&M, the actual and estimated expenditure levels for scholarships and fellowships at Prairie View A&M are very similar to the level of expenditures at Texas A&M since fiscal year 2013. For reference, Figure 9 provides a comparison of expenditures for the Prairie View A&M operational support activity by category for fiscal year 2014 and Table 5 provides an overview of Prairie View A&M operational support funding expenditures since fiscal year 2010.
- 3 Projects in 2016-17 Biennium.** In the 2016-17 biennium, a total of \$5 million in AUF allocations will provide support projects at Prairie View A&M, including the construction of the entranceway to campus, the renovation and expansion of the Welcome Center, and renovations and technology upgrades to classrooms. Depending on the availability of PUF debt capacity, some of the qualifying projects may be funded with PUF debt instead of AUF.
- 4 Program Ranking.** TAMU System ranked the Texas A&M and Prairie View A&M programs at the same level to maintain the just and equitable standard provided by the Constitution.
- 5 Full-time Equivalent Positions.** FTEs whose salaries and wages are paid with AUF are included in the Prairie View A&M FTE cap. The bill pattern for the AUF does not include FTE information.
- 6 First Full Year of Operation.** While the constitutional authority for the AUF was established in 1956, the program summary includes AUF funding for Prairie View from 1991 as a similar reference point between the UT and TAMU Systems. The number of FTEs included in the program in fiscal year 1991 is unknown.
- 7 Historical and Recommended Objects of Expense.** The objects of expense are unknown for the Prairie View A&M program, therefore the operating costs object of expense is used as a placeholder to represent the AUF allocations to the program each biennium.

Recommended Statutory Changes for Program Improvement

None.

**Figure 9: Prairie View A&M Support and Maintenance Expenditures
FY 2014**

Total Expenditures FY14: \$17.7 million



Note: "Other " includes expenditure categorize totaling less than 2 percent of the total expenditure amount.

Table 5: AUF Support and Maintenance Funding Expenditures - Prairie View A&M

| | 2010 | 2011 | 2012 | 2013 | 2014 | Bud. 2015 | Est. 2016 | Est. 2017 |
|---|----------------|----------------|----------------|---------------|----------------|---------------|---------------|---------------|
| Prairie View A&M Operational Support | \$ 12,150,000 | \$ 12,150,000 | \$ 15,140,000 | \$ 14,971,000 | \$ 15,350,000 | \$ 16,689,000 | \$ 16,689,000 | \$ 16,689,000 |
| Example Categories: | | | | | | | | |
| Academic Support | \$ 601,366 | \$ 523,525 | \$ 145,215 | \$ 2,962,790 | \$ 2,768,723 | \$ 3,783,763 | \$ 3,742,000 | \$ 3,617,000 |
| Instruction | \$ 756,964 | \$ 755,265 | \$ 559,134 | \$ 569,566 | \$ 1,300,107 | \$ 2,232,141 | \$ 2,491,000 | \$ 2,871,000 |
| Student Services | \$ 1,724,797 | \$ 1,516,558 | \$ 1,432,016 | \$ 1,385,769 | \$ 1,474,382 | \$ 2,004,396 | \$ 2,017,000 | \$ 2,017,000 |
| Research | \$ 232,049 | \$ 229,702 | \$ 239,995 | \$ 237,310 | \$ 302,612 | \$ 327,752 | \$ 350,000 | \$ 350,000 |
| Scholarships and Fellowships | \$ 2,652,414 | \$ 2,712,799 | \$ 5,499,028 | \$ 5,557,292 | \$ 6,153,765 | \$ 5,102,760 | \$ 5,097,000 | \$ 5,067,000 |
| Public Service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 14,785 | \$ - | \$ - |
| Operation and Maintenance of Plant | \$ 10,948,433 | \$ 4,006,947 | \$ 9,053,300 | \$ 2,019,859 | \$ 3,234,347 | \$ 38,017 | \$ - | \$ - |
| Institutional Support | \$ 4,362,562 | \$ 3,492,740 | \$ 6,921,680 | \$ 2,415,353 | \$ 2,418,258 | \$ 3,185,386 | \$ 2,992,000 | \$ 2,767,000 |
| Major Repair & Rehabilitation | \$ - | \$ - | \$ - | \$ - | \$ 8,933 | \$ - | \$ - | \$ - |
| Total Expenses: | \$ 21,278,584 | \$ 13,237,536 | \$ 23,850,368 | \$ 15,147,938 | \$ 17,661,126 | \$ 16,689,000 | \$ 16,689,000 | \$ 16,689,000 |
| Addition to (use of) AUF Reserves | \$ (9,128,584) | \$ (1,087,536) | \$ (8,710,368) | \$ (176,938) | \$ (2,311,126) | \$ - | \$ - | \$ - |

Note:

- Prairie View A&M Operational Support allocations include allocations for Fair and Equitable funding.

**Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)**

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program : UT System Initiatives

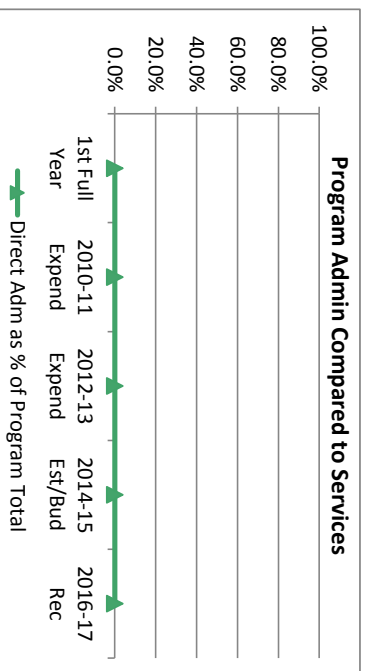
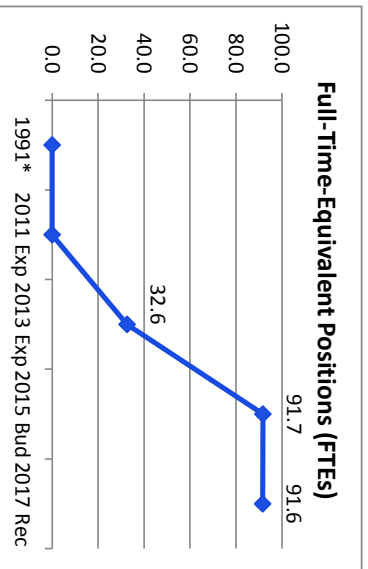
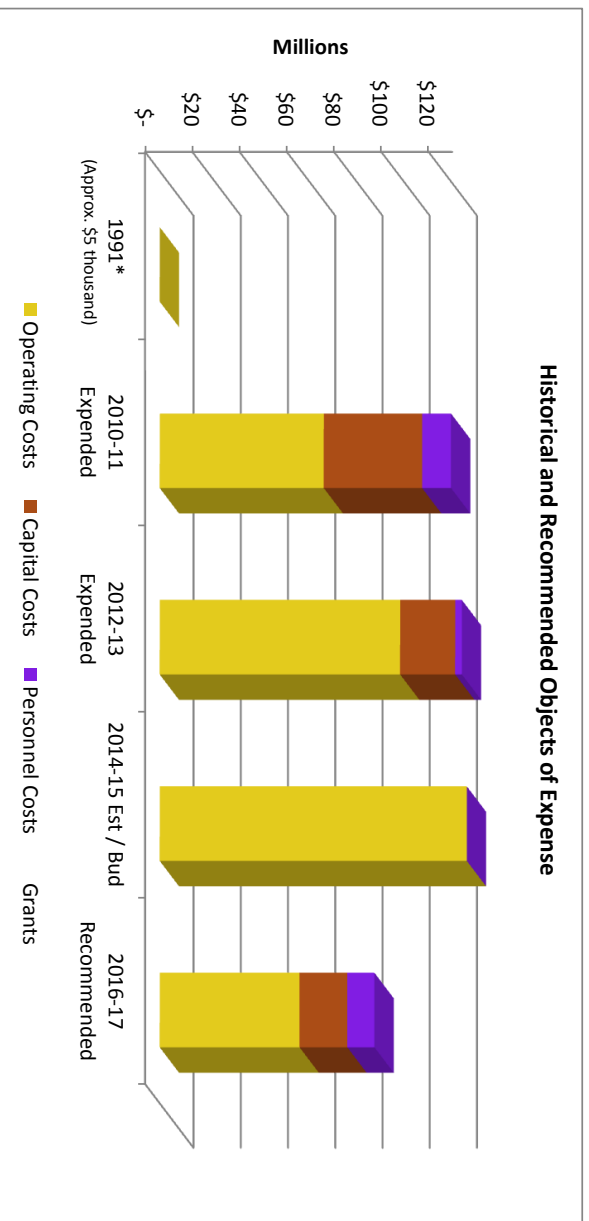
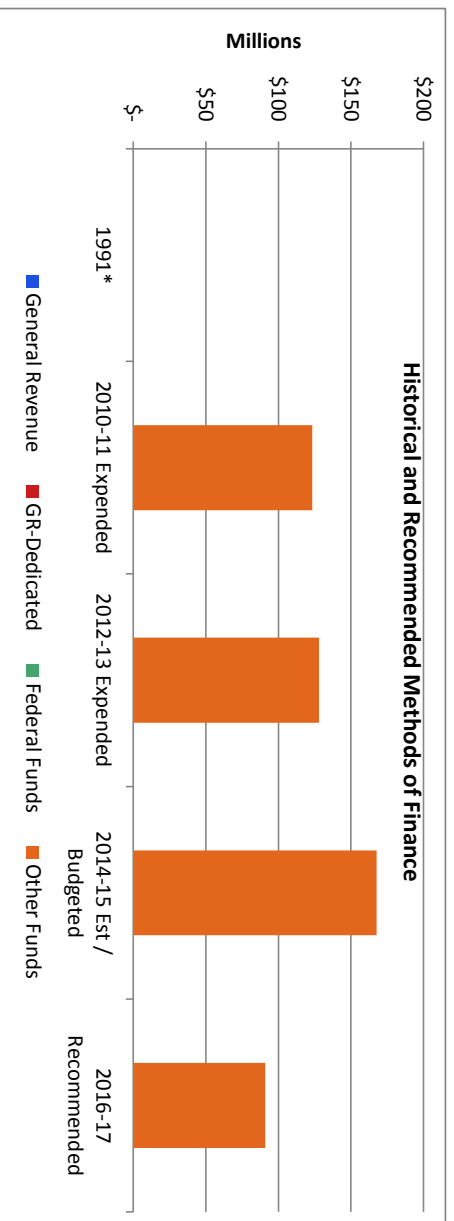
Agency
Ranking **4 out of 4**

AUF allocations used for initiatives that support the UT System in its role to provide oversight and coordination of the activities of the system and all the component institutions and to assist the Board of Regents in its role to govern, operate, support, and maintain the UT System component institutions.

Legal Authority: Texas Constitution, Article VII, Sec. 18(f); General Appropriations Act 2014-15, Rider 3, The University of Texas System Share, Article III-64.

| | | | | | |
|---------------------|-----------|-------------------------------|--|----------------------------|-----|
| Year Created | 1995 | Performance and/or | | Outsourced Services | No |
| Authority | Strong | Operational Issues | No | Revenue Supported | Yes |
| Centrality | Strong | Use of Dedicated Funds | | Compliant | |
| Service Area | Statewide | State Service Category | Higher Education Instruction, Financial Aid & Research | | |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|---|-----------------------|--------------|----------------------|--------------|---------------|
| Tuition Offset | \$ 38,996,570 | 48.0 | \$ 65,889,290 | 48.0 | 72.5% |
| Horizon Fund | \$ 12,500,000 | 11.0 | \$ 25,000,000 | 11.0 | 27.5% |
| Supporting Online and On-Campus Enrollment Growth | \$ 68,939,116 | 0.0 | \$ - | 0.0 | 0.0% |
| PeopleSoft Human Resource/Finance System | \$ 15,000,000 | 0.0 | \$ - | 0.0 | 0.0% |
| Other | \$ 32,180,000 | 32.7 | \$ - | 32.6 | 0.0% |
| TOTAL | \$ 167,615,686 | 91.7 | \$ 90,889,290 | 91.6 | 100.0% |



Program : UT System Initiatives

Summary of Recommendations and Fiscal and Policy Issues

1 Tuition Offsets. In order to avoid tuition increases for resident undergraduate and graduate students, the UT System Board of Regents approved a proposal to provide \$28.2 million in additional AUF allocations to UT Austin and to shift the cost of certain functions from the other academic institutions to UT System to be funded by the AUF. The transfer of functions to UT System is expected to free up approximately \$31 million across the UT general academic institutions, \$13 million more than the revenue that was expected to be generated through the previously proposed tuition increases. Although the tuition offsets are represented as a stand-alone activity, the funding captured by this activity represents the cost of the additional functions taken on by the UT System and not direct AUF payments to the academic institutions.

2 Horizon Fund. The UT Horizon Fund is a strategic venture fund of the UT System intended to provide resources for high quality prospects with potentially strong commercial application. The mission of the fund is to improve commercialization of technologies out of research at UT System institutions by engaging entrepreneurs and the investment community to help translate innovations to practical use.

3 Full-time Equivalent Positions. In the Major Activities summary for the 2016-17 biennium, FTEs are included in activities that do not have any estimated AUF allocations. These FTEs are funded with AUF that was allocated in previous fiscal years that have been carried forward and will be expended in the 2016-17 biennium. UT System Administration FTEs whose salaries and wages are paid with AUF are included in the UT System Administration FTE cap. The bill pattern for the AUF does not include FTE information.

In addition, while personnel costs were incurred during the 2010-11 biennium, no FTEs are shown in the FTE chart on the previous page because all 10.0 FTEs were funded in fiscal year 2010 for distance education initiatives. Further, personnel costs increased from the 2014-15 biennium to the 2016-17 biennium due to an increase in FTEs from 39.4 in fiscal year 2014 to 91.7 in fiscal year 2015. This increase was primarily due to additional FTEs funded through the tuition offset.

4 First Full Year of Operation. While the constitutional authority for the AUF was established in 1956, the program summary includes AUF funding for UT System Initiatives from 1991 as a similar reference point between the UT and TAMU Systems.

5 New Rider Requirements. House Bill 1 as Introduced provides additional guidance on the use of AUF by UT System and includes the following new rider requirements regarding the use of the AUF for UT System Initiatives:

- In addition to existing reporting requirements, UT and TAMU Systems must report additional information regarding the use of the AUF for system office operations and system initiatives to the Legislative Budget Board;
- No AUF appropriations can be used for system initiatives at UT or TAMU System without prior written approval from the Legislative Budget Board;
- AUF appropriations used for system office operations and system initiatives by the UT System shall not increase more than two percent above the AUF amounts allocated for system office operations and system initiatives in the 2014-15 biennium; and
- The UT and TAMU System must categorize all expenditures made with AUF appropriations into one of the following categories: debt service; system office operations; system initiatives; or support and maintenance for eligible component institutions.

Recommended Statutory Changes for Program Improvement

None.

Strategic Fiscal Review 2016-17 - House
Available University Fund (Agency 799)

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program : TAMU System Initiatives

Agency Ranking

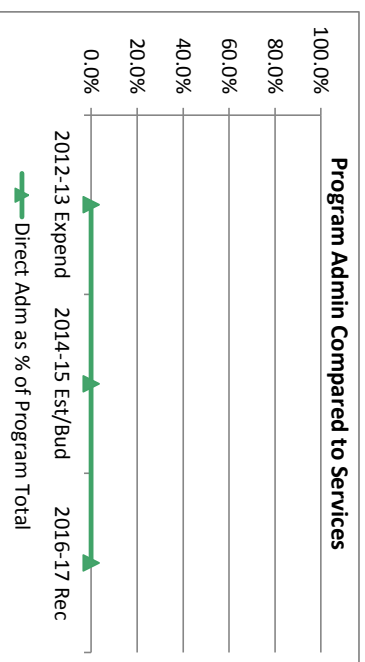
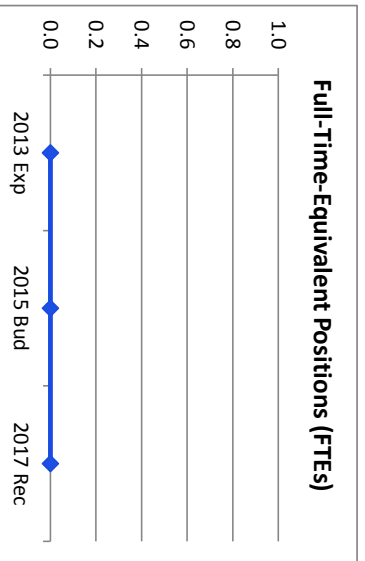
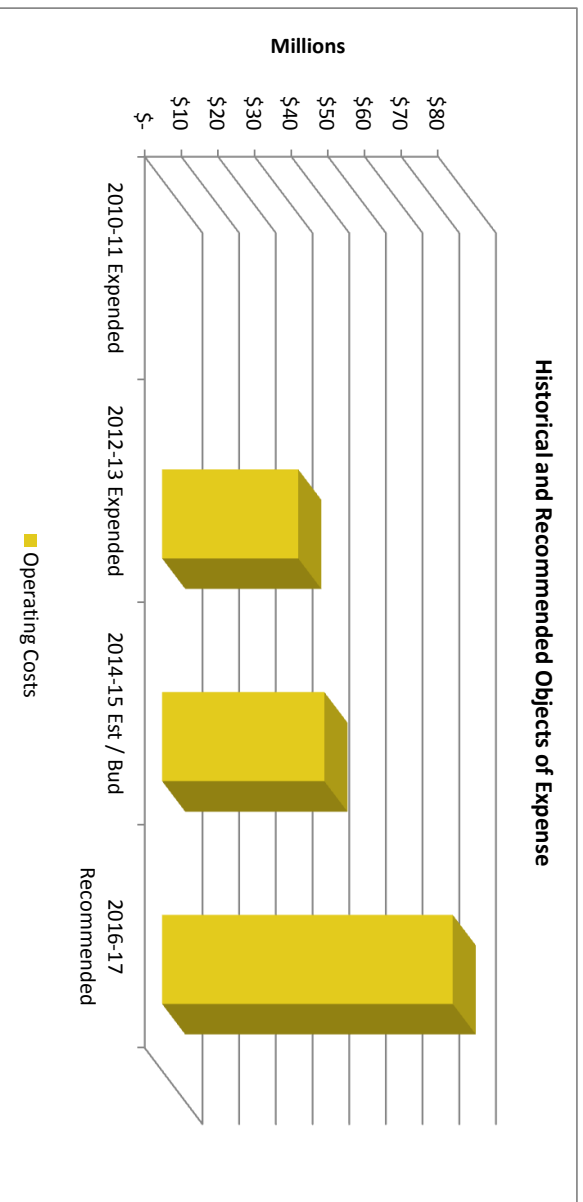
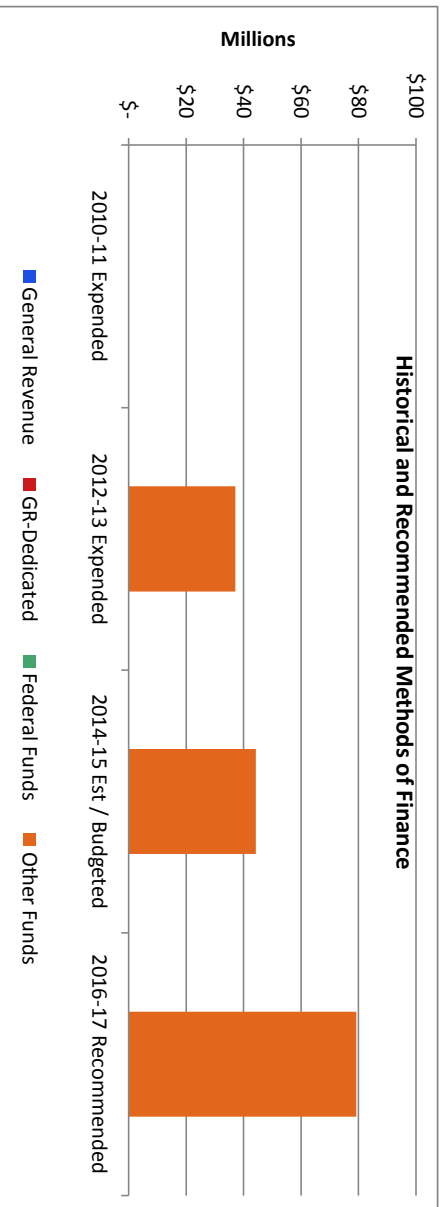
5 out of 5

AUF allocations used for initiatives to support the entire TAMU System and for recruitment of high caliber faculty at Texas A&M and Prairie View A&M.

Legal Authority: Texas Constitution, Article VII, Sec. 18(f); General Appropriations Act 2014-15, Rider 2, Texas A&M University System Share, Article III-63.

| | | | | | |
|--------------|-----------|---------------------------------------|--|---------------------------------------|-----|
| Year Created | 2008 | Performance and/or Operational Issues | No | Outsourced Services Revenue Supported | No |
| Authority | Strong | Centrality | Strong | Use of Dedicated Funds | Yes |
| Service Area | Statewide | State Service Category | Higher Education Instruction, Financial Aid & Research | Compliant | |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|--|----------------------|------------|----------------------|------------|---------------|
| Chancellor's National Academy Scholars' and Renowned Faculty Program | \$ - | 0.0 | \$ 52,500,000 | 0.0 | 66.3% |
| System Wide Initiatives | \$ 12,900,000 | 0.0 | \$ - | 0.0 | 0.0% |
| Chancellor's Research Initiative | \$ 6,897,123 | 0.0 | \$ - | 0.0 | 0.0% |
| Planned Future Allocations | \$ 24,433,000 | 0.0 | \$ 26,743,000 | 0.0 | 33.7% |
| TOTAL | \$ 44,230,123 | 0.0 | \$ 79,243,000 | 0.0 | 100.0% |



Program : TAMU System Initiatives

Agency
Ranking

5 out of 5

Summary of Recommendations and Fiscal and Policy Issues

- 1 Chancellor's Research Initiative and Chancellor's National Academy Scholars' and Renowned Faculty Program.** The Chancellor's Research Initiative provides one-time funding to Texas A&M and Prairie View for the recruitment and hiring of high-level research faculty. The Chancellor's National Academy Scholars' (NAS) and Renowned Faculty Program provides funding for the recruitment of NAS faculty and other high achieving faculty members.
- 2 Planned Future Allocations.** The planned future allocations activity represents AUF support and maintenance funds that have not been allocated to a specific purpose.
- 3 New Rider Requirements.** House Bill 1 as Introduced includes the following new rider requirements regarding the use of the AUF for TAMU System Initiatives:
 - In addition to existing reporting requirements, UT and TAMU Systems must report additional information regarding the use of the AUF for system office operations and system initiatives to the Legislative Budget Board;
 - No AUF appropriations can be used for system initiatives at UT or TAMU System without prior written approval from the Legislative Budget Board; and
 - The UT and TAMU System must categorize all expenditures made with AUF appropriations into one of the following categories: debt service; system office operations; system initiatives; or support and maintenance for eligible component institutions.

Recommended Statutory Changes for Program Improvement

None.

Appendix A: AUF and PUF Comparison between UT and TAMU System

| | UT System | TAMU System |
|-------------------------------------|---------------------------|---------------------------|
| PUF Constitutional Debt Limit | 20 percent PUF book value | 10 percent PUF book value |
| <i>As of 8/31/14:</i> | | |
| Debt Limit | \$2,853.8 million | \$1,377.5 million |
| Outstanding Debt | \$2,002.5 million | \$810.4 million |
| Authorized but Unissued Debt | \$706.4 million | \$310.0 million |
| Remaining PUF Debt Capacity | \$145.0 million | \$257.1 million |
| AUF Distribution | Two-thirds | One-third |
| AUF Beginning Year Balance (9/1/14) | \$200.5 million | \$96.4 million |
| <i>For the 2014-15 biennium:</i> | | |
| Debt Service | \$329.5 million | \$207.2 million |
| System Administration/Operations | \$90.9 million | \$27.2 million |
| System Initiatives | \$167.6 million | \$44.2 million |

| | UT Austin | Texas A&M | Prairie View A&M |
|---|------------------|----------------------|-----------------------------|
| <i>For the 2014-15 biennium:</i> | | | |
| AUF Support and Maintenance Allocations | \$563.5 million | \$198.5 million | \$32.0 million |
| FTEs funded with AUF (FY 15) | 1625.8 | 560.0 | 75.0 |