

**Available University Fund
Summary of Budget Recommendations - House**

Page III-71

Michael Cooper, LBB Analyst

Method of Financing	2020-21 Base	2022-23 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>0.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$2,568,413,600	\$2,496,555,352	(\$71,858,248)	(2.8%)
All Funds	\$2,568,413,600	\$2,496,555,352	(\$71,858,248)	(2.8%)

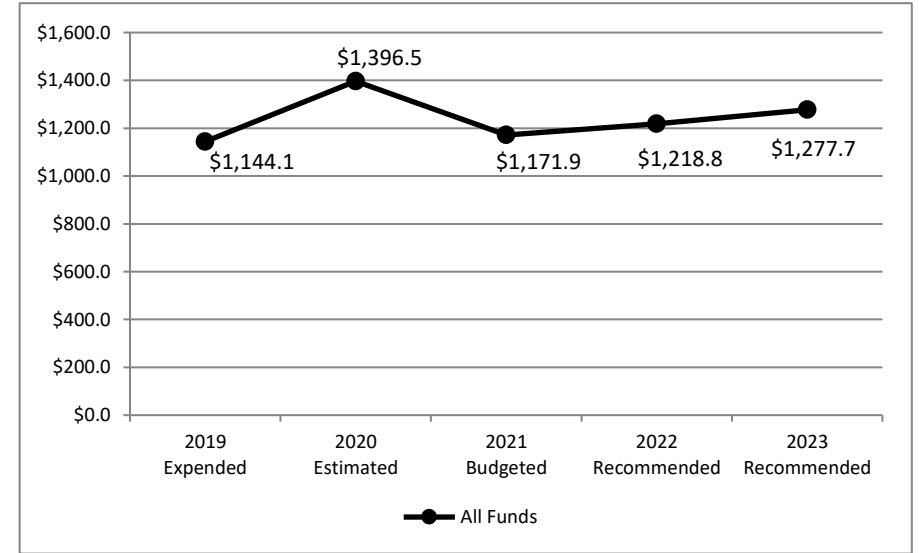
	FY 2021 Budgeted	FY 2023 Recommended	Biennial Change	Percent Change
FTEs	0.0	0.0	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

The Available University Fund (AUF) is authorized in the Texas Constitution, Article VII, Section 18. The AUF provides funding for most institutions and agencies in The University of Texas (UT) System and the Texas A&M University (TAMU) System. AUF appropriations are used for acquiring land, constructing and equipping buildings, major repair of buildings, acquisition of capital equipment, refunding bonds or issued notes, and other permanent improvements for eligible institutions. Also, AUF funding provides for the support and maintenance of certain institutions and the administration of the UT and TAMU systems.

The bill pattern for this agency (2022-23 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2022-23 biennium.

Historical Funding Levels (Millions)



**Available University Fund
Summary of Funding Changes and Recommendations - House**

Funding Changes and Recommendations for the 2022-23 Biennium compared to the 2020-21 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>						
A) Decrease in total appropriations for the 2022-23 biennium due to the addition of a special distribution in fiscal year 2020, which increased the total above the appropriated amount for the 2020-21 biennium.	\$0.0	\$0.0	\$0.0	(\$183.7)	(\$183.7)	A.1
B) Increase in estimated appropriations based on anticipated growth in the Permanent University Fund, excluding the special distribution from fiscal year 2020.	\$0.0	\$0.0	\$0.0	\$111.8	\$111.8	A.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)	\$0.0	\$0.0	\$0.0	(\$71.9)	(\$71.9)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>	\$0.0	\$0.0	\$0.0	\$111.8	\$111.8	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>	\$0.0	\$0.0	\$0.0	(\$183.7)	(\$183.7)	As Listed

NOTE: Totals may not sum due to rounding.

**Available University Fund
Selected Fiscal and Policy Issues - House**

1. **Estimated Appropriations for the Available University Fund for the 2022-23 biennium.** Recommendations include a \$71.9 million decrease in estimated appropriations from the Available University Fund (AUF) for the 2022-23 biennium. The estimated AUF appropriations for the 2022-23 biennium total \$2.5 billion and would be allocated, pursuant to the Texas Constitution, Article VII, Section 11 Requirements, as follows:
 - \$1.7 billion to the University of Texas (UT) System, and
 - \$828.4 million to the Texas A&M University (TAMU) System.

2. **Basis for the Estimated AUF Appropriations.** The Permanent University Fund (PUF) is a state endowment fund that contributes to the support of 20 institutions and 6 agencies of the UT and TAMU systems. The PUF includes 2.1 million acres of land grants. Annual distributions are made from the PUF to the AUF as approved by the UT System's Board of Regents in accordance with the Texas Constitution requirements and Board of Regents' policy. The AUF also consists of surface income from PUF lands and interest income on AUF balances held in the state treasury.

The slight decrease in AUF appropriations for the 2022-23 biennium is largely a result of a special PUF distribution included in fiscal year 2020. For fiscal years 2017-19, the UT Board approved a distribution amount equated to 5.00% of the average net asset value of PUF investments. For fiscal year 2020, the UT board approved a special distribution, which raised the recommended AUF distribution for fiscal year 2020 from \$1.2 billion to \$1.4 billion. The budgeted AUF distribution for fiscal year 2021 did not include the added special distribution, and was increased to 5.50% of the average net asset value of PUF investments.

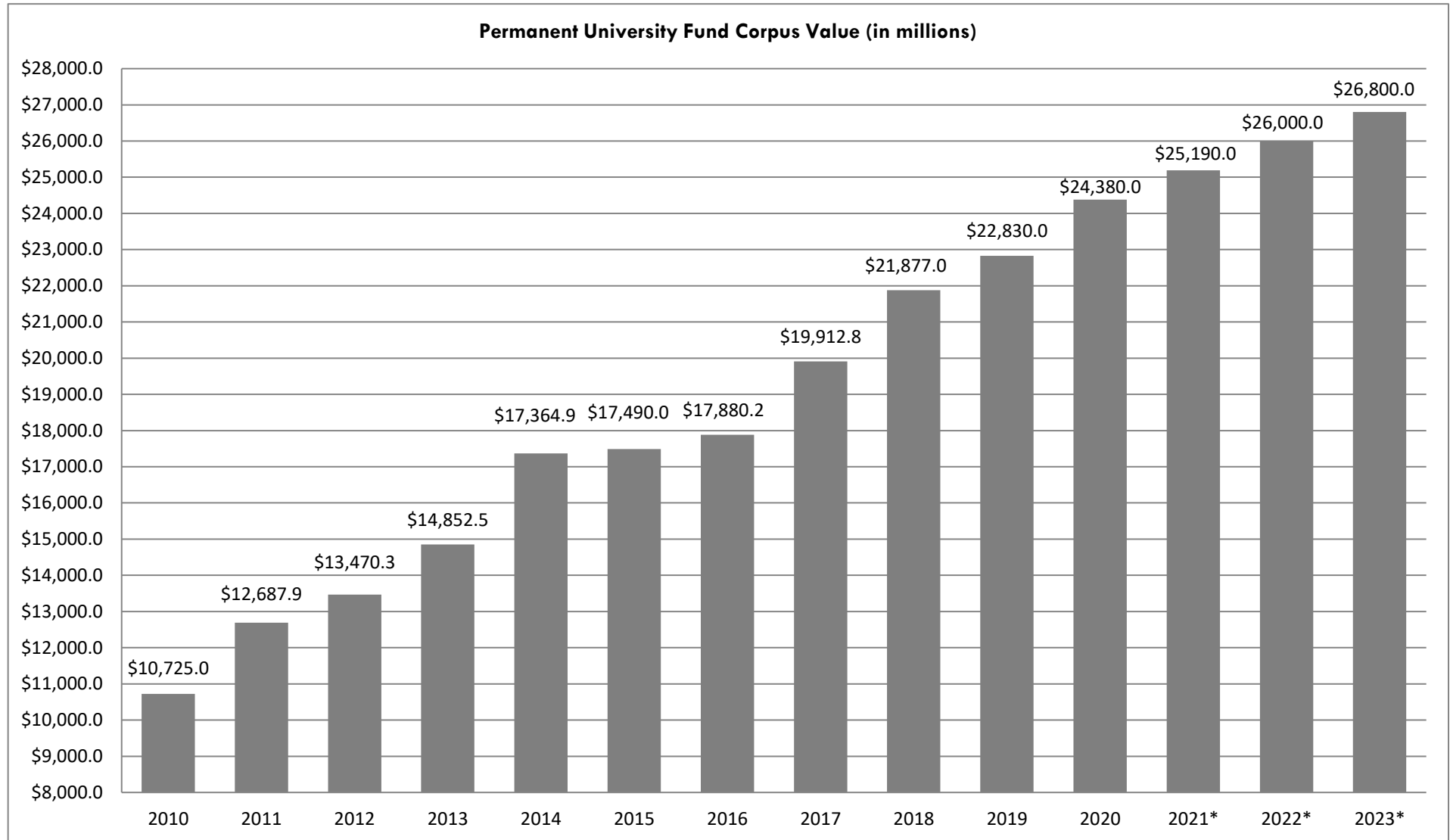
When compared to the recommended amounts for the 2020-21 biennium, the AUF appropriation for the 2022-23 biennium indicates an increase in funding by \$111.8 million. This increase is primarily due to anticipated growth in the value of the PUF (the trailing 12-quarter average of net assets) against which the Board of Regents' approved annual distribution percentage is applied. For fiscal years 2022 and 2023, the annual PUF distribution amounts are projected to increase from the fiscal year 2021 amount by a rate equal to the Consumer Price Index (CPI) plus 2.65%. The 2022-23 PUF distributions will not exceed the maximum 7% of the average fair market value of the PUF in any fiscal year, as mandated by the Texas Constitution. The total net assets value of the PUF on August 31, 2020 was \$24.4 billion (see page 4 for historical values).

3. **Bonds Backed by the PUF.** The Texas Constitution authorizes the governing boards of the UT and TAMU systems to issue PUF-backed bonds and notes (PUF bonds) to finance capital expenditures. Debt service payments on PUF bonds are paid from each respective system's AUF appropriations. On August 31, 2020, the UT System had outstanding PUF bonds and notes of \$3.2 million and the TAMU System's outstanding PUF bonds totaled \$1.4 million. This outstanding debt is approximately 22.4 percent of the PUF's book value, which is below the constitutional limit of 30 percent.

**Available University Fund
Performance of the Permanent University Fund (FY 2010-23)**

Fiscal Year	Corpus Value (in millions)	% Change Corpus Value
2010	\$ 10,725.0	10.9%
2011	\$ 12,687.9	18.3%
2012	\$ 13,470.3	6.2%
2013	\$ 14,852.5	10.3%
2014	\$ 17,364.9	16.9%
2015	\$ 17,490.0	0.7%
2016	\$ 17,880.2	2.2%
2017	\$ 19,912.8	11.4%
2018	\$ 21,877.0	9.9%
2019	\$ 22,830.0	4.4%
2020	\$ 24,380.0	6.8%
2021*	\$ 25,190.0	3.3%
2022*	\$ 26,000.0	3.2%
2023*	\$ 26,800.0	3.1%

Note: *FY21-23 data is estimated.
Sources: University of Texas Investment Management Company and UT System Office of Finance



**Available University Fund
Rider Highlights - House**

New Riders

2. New rider appropriates any unexpended balances of the AUF to the AUF recipients on the first day of the following fiscal year.

**Available University Fund
Items Not Included in Recommendations - House**

	2022-23 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2024-25
	GR & GR-D	All Funds	FTEs			

Rider Revision Requests Not Included

A)	UT system requests deletion of the citation in Rider 3 for Article VII, Section 18(f) of the Texas Constitution due to its redundancy.					
----	--	--	--	--	--	--

**Available University Fund
Appendices - House**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	8
B	Summary of Federal Funds	*
C	FTE Highlights	*

* Appendix is not included - no significant information to report

**Available University Fund
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS**

Strategy/Goal	2020-21 Base	2022-23 Recommended	Biennial Change	% Change	Comments
TEXAS A&M UNIV SYSTEM ALLOCATION A.1.2	\$849,413,600	\$828,431,784	(\$20,981,816)	(2.5%)	The slight difference between the percentage increase for the Texas A&M University (TAMU) System and the University of Texas (UT) System strategies is attributable to the inclusion of the Available University Fund (AUF) interest income values in the UT System strategy. The TAMU System strategy does not include any interest income.
THE UNIV OF TEXAS SYSTEM ALLOCATION A.1.3	\$1,719,000,000	\$1,668,123,568	(\$50,876,432)	(3.0%)	<p>The Permanent University Fund (PUF) is a state endowment fund that contributes to the support of 20 institutions and 6 agencies of the UT and TAMU systems. The PUF includes 2.1 million acres of land grants. Annual distributions are made from the PUF to the AUF as approved by the UT System's Board of Regents in accordance with Texas Constitution requirements and Board of Regent's policy. The AUF also consists of surface income from PUF lands and interest income on AUF balances held in the state treasury.</p> <p>The estimated \$71.9 million decrease in AUF appropriations for the 2022-23 biennium is primarily due to a special distribution implemented in fiscal year 2020 which increased the AUF distribution by \$200 million. When compared to the recommended amounts for the 2020-21 biennium, the AUF appropriation for the 2022-23 biennium indicates an increase in funding by \$111.8 million. This increase is primarily due to anticipated growth in the value of the PUF (the trailing 12-quarter average of net assets) against which the Board of Regents' approved annual distribution percentage is applied. For fiscal years 2022 and 2023, the annual PUF distribution amounts are projected to increase from the fiscal year 2021 amount by a rate equal to the Consumer Price Index (CPI) plus 2.65%. The total net assets value of the PUF on August 31, 2020 was \$24.4 billion(see page 4 for historical values).</p>
Total, Goal A, MANAGE/ADMINISTER ENDOWMENT FUNDS	\$2,568,413,600	\$2,496,555,352	(\$71,858,248)	(2.8%)	
Grand Total, All Strategies	\$2,568,413,600	\$2,496,555,352	(\$71,858,248)	(2.8%)	