

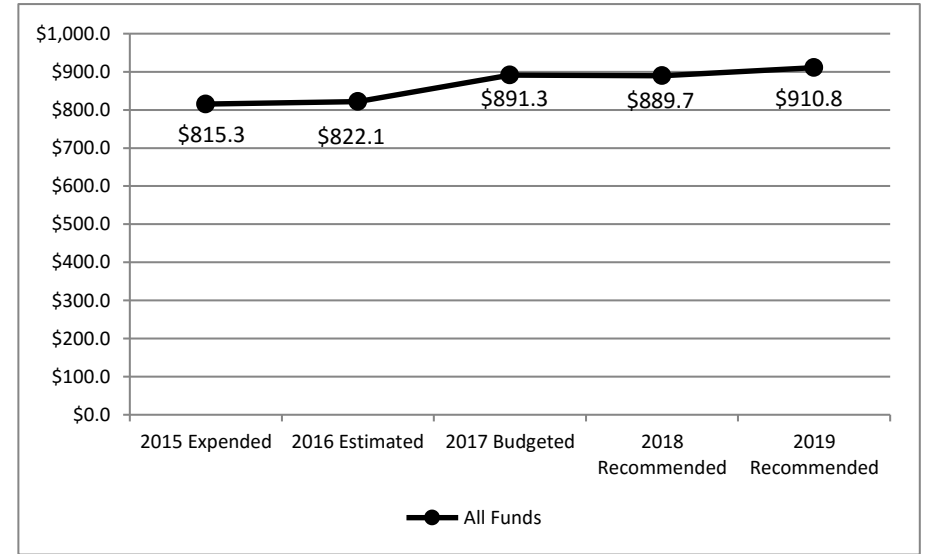
**Available University Fund
Summary of Recommendations - House**

John Newton, LBB Analyst

Method of Financing	2016-17 Base	2018-19 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	\$1,713,324,733	\$1,800,547,973	\$87,223,240	5.1%
All Funds	\$1,713,324,733	\$1,800,547,973	\$87,223,240	5.1%

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	N/A	N/A	0.0	0.0%

Historical Funding Levels (Millions)



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 the support and maintenance of UT at Austin, UT System administration, TAMU, Prairie View A&M University, and TAMU System administration. Also, AUF funding is used for paying debt service on bonds for acquiring land, constructing and equipping buildings, major repair of buildings, acquisition of capital equipment, and other permanent improvements for eligible institutions.

The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

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

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>Funding Changes and Recommendations</i>							
A)	Estimated appropriations from the Available University Fund for the 2018-19 biennium, based on anticipated market value growth of fund and assumed board-approved distribution rates.	\$0.0	\$0.0	\$0.0	\$87.2	\$87.2	A.1.1, A.1.2.
TOTAL Funding Changes and Recommendations (in millions)		\$0.0	\$0.0	\$0.0	\$87.2	\$87.2	As Listed
<i>Funding Increases</i>		\$0.0	\$0.0	\$0.0	\$87.2	\$87.2	As Listed
<i>Funding Decreases</i>		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

NOTE: Totals may not sum due to rounding.

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

1. **Estimated Appropriations from the Available University Fund (AUF) for the 2018-19 biennium.** Recommendations include a \$87.2 million increase in estimated appropriations from the AUF for the 2018-19 biennium. The estimated AUF appropriations for the 2018-19 biennium total \$1.8 billion (Other Funds) and would be allocated, pursuant to Texas Constitution requirements, as follows:
- \$1.2 billion to The University of Texas (UT) System; and
 - \$597.1 million to the Texas A&M University (TAMU) System.

Constitutional requirements regarding the annual AUF appropriations are:

- UT System receives two-thirds of the annual total, and TAMU System receives one-third;
 - AUF appropriations must be sufficient to pay the debt service due on certain issued bonds (see Policy Issue #3 below); and
 - After satisfying debt service requirements, the remainder of the appropriations may be used for the support and maintenance of UT at Austin, UT System administration, TAMU, Prairie View A&M University, and TAMU System administration.
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 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 increase in AUF appropriations for the 2018-19 biennium 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. The distribution rates approved by the Board of Regents were 5.00 percent for fiscal years 2016 and 2017, and are assumed to be at the default Board of Regents' policy rate of 4.75 percent for fiscal years 2018 and 2019. The Texas Constitution indicates an annual distribution rate may not exceed 7.00 percent, except as necessary to satisfy debt service requirements. The total net assets value of the PUF on August 31, 2016 was \$17.9 billion (see page 4 for historical values).

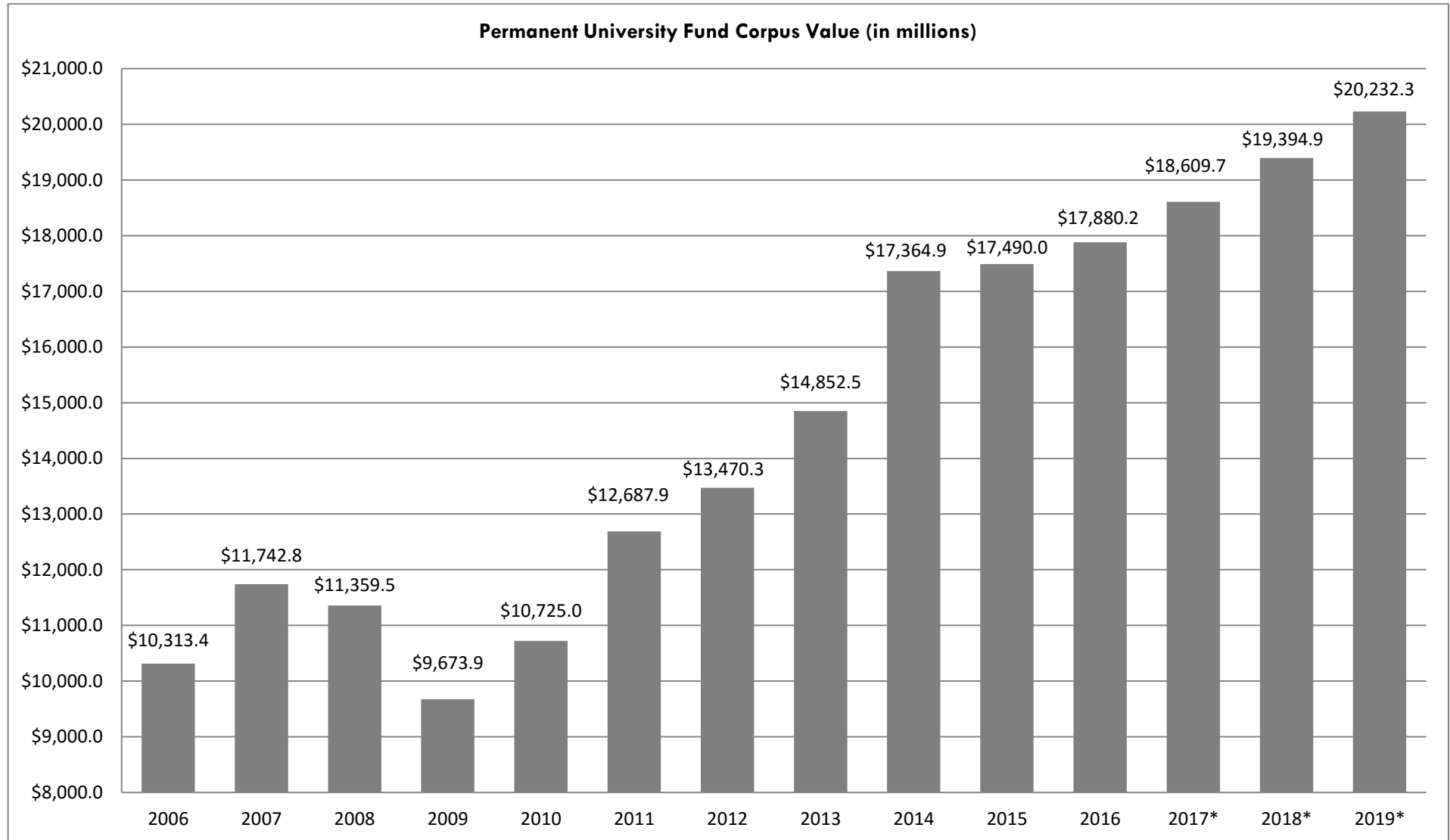
3. **Bonds Backed by the PUF.** The Texas Constitution authorizes the governing boards of the UT and TAMU systems to issue PUF-backed bonds and notes (PUF bonds) to finance capital expenditures for AUF eligible institutions/agencies. The Texas Constitution indicates bond proceeds may not be used for constructing, equipping, repairing, or rehabilitating buildings or permanent improvements that are to be used for student housing, intercollegiate athletics, or auxiliary enterprises. Debt service payments on PUF bonds are paid from each respective system's AUF appropriations.

On August 31, 2016, the UT System had outstanding PUF bonds of \$2.6 billion and the TAMU System's outstanding PUF bonds totaled \$968.7 million. This outstanding debt is approximately 23.6 percent of the PUF's book value which is below the constitutional limit of 30 percent. The UT System's outstanding PUF-backed debt may not exceed 20 percent of the PUF's book value (17.2 percent as of August 31, 2016); and the TAMU System may not exceed 10 percent (6.4 percent as of August 31, 2016).

**Available University Fund - House
Performance of the Permanent University Fund (FY2006-19)**

Fiscal Year	Corpus Value (in millions)	% Change Corpus Value
2006	\$ 10,313.4	0.0%
2007	\$ 11,742.8	13.9%
2008	\$ 11,359.5	(3.3%)
2009	\$ 9,673.9	(14.8%)
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*	\$ 18,609.7	4.1%
2018*	\$ 19,394.9	4.2%
2019*	\$ 20,232.3	4.3%

Note: *FY2017-19 data is estimated.
Sources: University of Texas Investment Management Company and UT System Office of Finance



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

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
TEXAS A&M UNIV SYSTEM ALLOCATION A.1.1	\$568,329,325	\$597,053,658	\$28,724,333	5.1%	
THE UNIV OF TEXAS SYSTEM ALLOCATION A.1.2	\$1,144,995,408	\$1,203,494,315	\$58,498,907	5.1%	
Total, Goal A, MANAGE/ADMINISTER ENDOWMENT FUNDS	\$1,713,324,733	\$1,800,547,973	\$87,223,240	5.1%	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 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 estimated \$87.2 million increase in AUF appropriations for the 2018-19 biennium 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. The distribution rates approved by the Board of Regents were 5.00 percent for fiscal years 2016 and 2017, and are assumed to be at the default Board of Regents' policy rate of 4.75 percent for fiscal years 2018 and 2019. The total net assets value of the PUF on August 31, 2016 was \$17.9 billion (see page 4 for historical values).

Grand Total, All Strategies	\$1,713,324,733	\$1,800,547,973	\$87,223,240	5.1%	
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