

Permanent University Fund (PUF) Higher Education Assistance Fund (HEAF) Overview

General

All public institutions of higher education except community colleges and the Texas A&M University System College of Dentistry receive funding for construction and other capital purposes from the Permanent University Fund (PUF) or the Higher Education Assistance Fund (HEAF). Most institutions in The University of Texas System and the Texas A&M University System benefit from the PUF; other institutions benefit from the HEAF. (See table below).

The amount of funds allocated for each PUF institution is determined by the Boards of Regents of The University of Texas System and Texas A&M University System each year. The allocation of HEAF funds to each institution is determined by the Legislature and may be revised every five years.

Permanent University Fund

The Permanent University Fund (PUF) is a public endowment contributing to the support of institutions of The University of Texas System and the Texas A&M University System that were parts of those systems when the HEAF was created. The PUF provides support (in the form of construction dollars from PUF bond proceeds) to 21 institutions of the UT and A&M Systems, including the health-related institutions of both systems and the Texas A&M land grant research and service agencies. The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus 1 million acres. The land grants to the PUF were completed in 1883 with the contribution of an additional 1 million acres of land. Today, the PUF still owns approximately 2.1 million acres of land located in 24 counties primarily in West Texas, but most of its assets are securities held by the fund.

Distributions from the PUF are deposited in a separate account, the Available University Fund (AUF), which consists of total returns on all investment assets of the PUF. Two-thirds is appropriated to The University of Texas System and one-third is appropriated to the Texas A&M University System. The AUF is used for three primary purposes: 1) to pay interest and principal due on PUF bonds that are issued to provide construction dollars at 21 institutions of the UT and A&M Systems; 2) to provide support for a wide range of programs intended to develop excellence at The University of Texas at Austin, Texas A&M University at College Station, and Prairie View University; and 3) to provide for the expenses of the two respective System Administrations.

The PUF is managed by the Board of Regents of the UT System. The UT System contracts with the University of Texas Investment Management Company (UTIMCO), a nonprofit investment organization, to provide day-to-day management of the PUF and other university investments. At the end of August 2007, net investment assets of the PUF had a market value of \$11.7 billion, which does not include the value of PUF lands of \$1.9 billion. The Texas Constitution was amended in 1999 defining the AUF as consisting of distribution from the total return on all investment assets of the PUF. The UT System Board of Regents approved distribution of \$449 million for fiscal year ending August 31, 2008.

Higher Education Assistance Fund and Higher Education Fund

Amendments to the Texas Constitution in 1984 and 1993 allow the Legislature to provide appropriations to universities, health-related institutions, and Texas State Technical College institutions that do not share PUF income. This appropriation, the Higher Education Assistance Fund (HEAF), is used for many of the same purposes as the PUF. The institutions can acquire land; construct, repair, and rehabilitate buildings; and purchase capital equipment and library materials with HEAF funds. From 1986 through 1995, the Legislature appropriated \$100 million in HEAF funds each year. The annual appropriation increased to \$175 million each year beginning in 1996. Beginning FY 2008, the annual appropriation increased to \$262.5 million each fiscal year.

Based on the 1984 amendment, the Legislature created a dedicated endowment, the Higher Education Fund (HEF), in 1996 for the benefit of non-PUF institutions. Each year between 1996 and 2001, the HEF endowment received appropriations of \$50 million per year. Beginning in FY 2002, the \$50 million appropriated to the HEF endowment was reduced by the amount of interest earned by the HEF, and a corresponding amount was transferred to the Texas Excellence Fund for the benefit of HEAF-eligible institutions. No appropriations to the HEF endowment were made for the 2004-05 biennium. At the end August 2007, net investment assets of the HEF had a market value of \$617 million.

The Texas Constitution requires that investment returns of the HEF be credited back to the fund until the fund balance reaches \$2 billion. As with the PUF, the corpus of HEF isn't spent. Each year after the HEF balance reaches \$2 billion, annual appropriations to the HEAF will end; 10 percent of the income from investments is to be added back to the fund and become part of the corpus of the HEF; and the remainder of the annual income, if any, is to be appropriated to HEAF institutions.

PUF Institutions	HEAF Institutions
The University of Texas at Arlington The University of Texas at Austin The University of Texas at Dallas The University of Texas at El Paso The University of Texas of the Permian Basin The University of Texas at San Antonio The University of Texas at Tyler Texas A&M University Texas A&M University at Galveston Prairie View A&M University Tarleton State University Texas A&M University Services Agencies The University of Texas SWMC at Dallas The University of Texas Medical Branch at Galveston The University of Texas HC at Tyler The University of Texas HSC at Houston The University of Texas MD Anderson Cancer Center The University of Texas HSC at San Antonio Texas A&M University System HSC The University of Texas System Administration Texas A&M University System Administration	Texas A&M University–Corpus Christi Texas A&M International University Texas A&M University–Kingsville Texas A&M University–Commerce Texas A&M University–Texarkana West Texas A&M University Lamar University Lamar Institute of Technology Lamar State College at Orange Lamar State College at Port Arthur Sul Ross State University Sul Ross State University Rio Grande College Angelo State University Sam Houston State University Texas State University-San Marcos University of Houston University of Houston–Clear Lake University of Houston–Downtown University of Houston–Victoria The University of Texas–Pan American The University of Texas at Brownsville Midwestern State University Stephen F. Austin State University Texas Southern University Texas Woman’s University Texas Tech University Texas Tech University HSC University of North Texas University of North Texas HSC Texas State Technical College System