



OVERVIEW

Permanent University Fund (PUF) Higher Education Fund (HEF)

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 Fund (HEF) (sometimes referred to as the Higher Education Assistance Fund or HEAF). The Higher Education Fund includes a dedicated endowment designed to provide HEF funding in the future. Most long-time institutions in The University of Texas System and the Texas A&M University System benefit from the PUF; other institutions, including newer UT System and A&M system institutions, benefit from the HEF. (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 HEF funds to each institution is determined by the Legislature and may be revised every five years. The Texas Higher Education Coordinating Board makes recommendations to the Legislature regarding these allocations based on recommendations of an advisory committee comprised of representatives of HEF institutions.

Permanent University Fund

The Permanent University Fund 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.

The PUF is a public endowment contributing to the support of 21 institutions of The University of Texas and the Texas A&M University Systems that were members of those systems prior to the creation of the HEF (including the health-related institutions of both systems and the Texas A&M land grant research and service agencies). Distributions from the PUF are deposited into a separate account, the Available University Fund (AUF), which consists of total returns on all investment assets of the PUF. Two-thirds of the AUF 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, 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. The Texas Constitution was amended in 1999 defining the AUF as consisting of distributions from the total return on all investment assets of the PUF.

Higher Education Fund (HEF)

Amendments to the Texas Constitution (Section 17, Article VII) in 1984 and 1993 allow the Legislature to provide appropriations to universities, health-related institutions, and the Texas State Technical College institutions that do not share in the PUF income. This General Revenue appropriation, the Higher Education Fund (HEF), 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 HEF funds. They may use HEF allocations for debt service on HEF bonds. From 1986 through 1995, the Legislature appropriated \$100 million in HEF 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 permanent Higher Education Fund, in 1996 for the benefit of non-PUF institutions. Each year between 1996 and 2001, the permanent HEF received appropriations of \$50 million per year. Beginning in FY 2002, the \$50 million appropriated to the permanent HEF was reduced by the amount of interest earned on the endowment, and a corresponding amount was transferred to the Texas Excellence Fund for the benefit of HEF-eligible institutions. No appropriations to the permanent HEF were made for the 2004-05 biennium. At the end August 2008, the balance of the permanent HEF was \$576.2 million. The permanent HEF is managed by the Texas Treasury Safe Keeping Trust.

The Texas Constitution requires that investment returns of the permanent HEF be credited back to the fund until the fund balance reaches \$2 billion. As with the PUF, the corpus of the permanent HEF isn't spent. After the HEF balance reaches \$2 billion, annual appropriations to the HEF 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 HEF institutions.

PUF Institutions	HEF Institutions
Excellence and Debt Service Funds	Texas A&M University–Corpus Christi
The University of Texas at Austin	Texas A&M International University
Texas A&M University	Texas A&M University–Kingsville
Prairie View A&M University	Texas A&M University–Commerce
The University of Texas System	Texas A&M University–Texarkana
Texas A&M University System	West Texas A&M University
	Lamar University
Debit Service Funds Only	Lamar Institute of Technology
The University of Texas at Arlington	Lamar State College at Orange
The University of Texas at Dallas	Lamar State College at Port Arthur
The University of Texas at El Paso	Sul Ross State University
The University of Texas of the Permian Basin	Sul Ross State University Rio Grande College
The University of Texas at San Antonio	Angelo State University
The University of Texas at Tyler	Sam Houston State University
Texas A&M University at Galveston	Texas State University–San Marcos

PUF Institutions	HEF Institutions
Tarleton State University	University of Houston
Texas A&M University Service Agencies	University of Houston–Clear Lake
The University of Texas Southwestern Medical Ctr.	University of Houston–Downtown
The University of Texas Medical Branch at Galveston	University of Houston–Victoria
The University of Texas HSC at Tyler	The University of Texas–Pan American
The University of Texas HSC at Houston	The University of Texas at Brownsville
The University of Texas MD Anderson Cancer Center	Midwestern State University
The University of Texas HSC at San Antonio	Stephen F. Austin State University
Texas A&M University System HSC	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

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