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State universities face shrinking funds

HOUSTON (AP) — In-state undergraduates at the University of Texas and Texas A&M University pay much less than they would at a private school. But in the past 10 years, their bills have tripled.

That's partly because the huge endowment that helps fund the schools has seen shrinking income over the last five years.

In a letter to UT students with their Fall 1995 tuition bills, UT President Robert Berdahl cited decreasing returns from the Permanent University Fund as a crucial factor forcing tuition and fees higher.

The PUF is a \$5.2 billion portfolio of securities that includes royalties from oil and gas drilling on 2.1 million acres of West Texas land. Income fell over the last half-decade despite growth in the fund's principal over the last 10 years.

"The only way to ultimately contain tuition and fee increases is for the state to step up and provide better general revenue support," Berdahl said.

While the PUF's 15.8 percent return on investment for the 1994-95 fiscal year met the average for all U.S. university funds, it placed next-to-last among the nation's 10 largest funds, according to figures from the National Association of College and University Business Officers.

The state schools' funds reaped a combined return of 15.8 percent in 1994-95. But the eight top-10 funds besides No. 2 UT and No. 7 A&M earned an average of about 22 percent.

The 7 percent difference translates into \$364 million when applied to the endowment's \$5.2 billion in assets.

Return on investment includes principal appreciation, interest and dividends earned each year. For 1994-95, the PUF brought in \$249.5 million in in-

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come, and the principal grew \$523.6 million, including additions of more than \$50 million from oil and gas royalties.

The schools use the fund's interest and dividends first to pay bonds issued for capital improvements. The rest goes to "excellence programs" such as scholarships, library acquisitions, student activities and admissions programs. PUF money funds almost 10 percent of the UT budget and 11 percent of A&M's yearly expenditures.

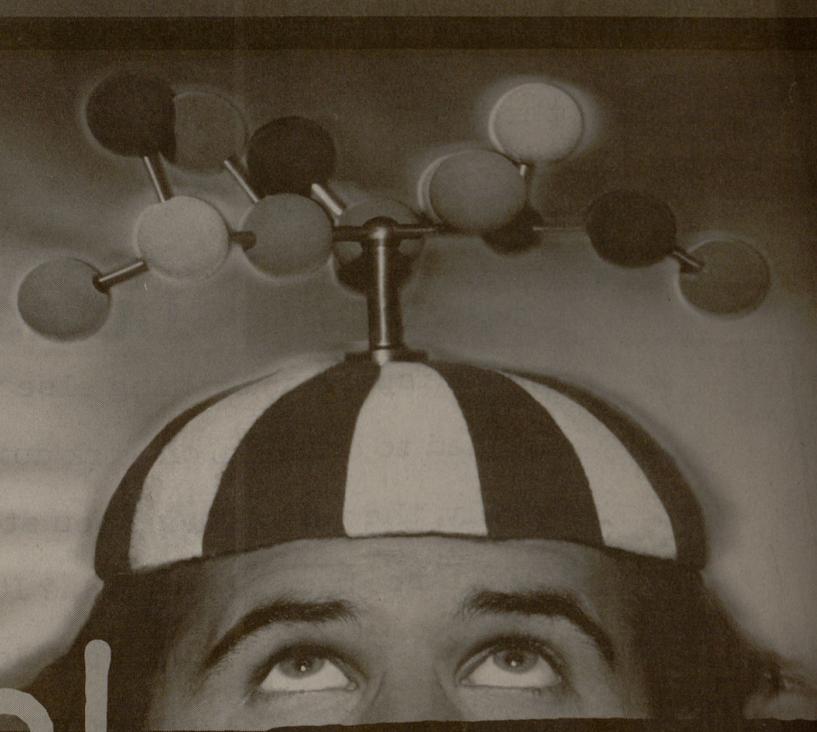
In 1994-95, the income flowing to the universities amounted to about one-third of total return. After accounting adjustments and after each school paid off PUF-backed bonds, only \$15 million, or less than one-sixth of the total return, was left for the schools' annual budgets.

UT officials have complained that constraints of operating as a part of state government have contributed significantly to the PUF's below-average performance. California's is the only other state system in the current top 10.

At the UT system's request, the Legislature passed a measure in 1995 allowing the PUF to be managed by an outside investment manager.

Regrettably,
all sections
are full this
semester for

Remedial
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Thermodynamics



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