

**Higher Education Fund
Summary of Budget Recommendations - House**

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Method of Financing	2024-25 Base	2026-27 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$787,500,000	\$787,500,000	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$787,500,000</i>	<i>\$787,500,000</i>	<i>\$0</i>	<i>0.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$787,500,000	\$787,500,000	\$0	0.0%

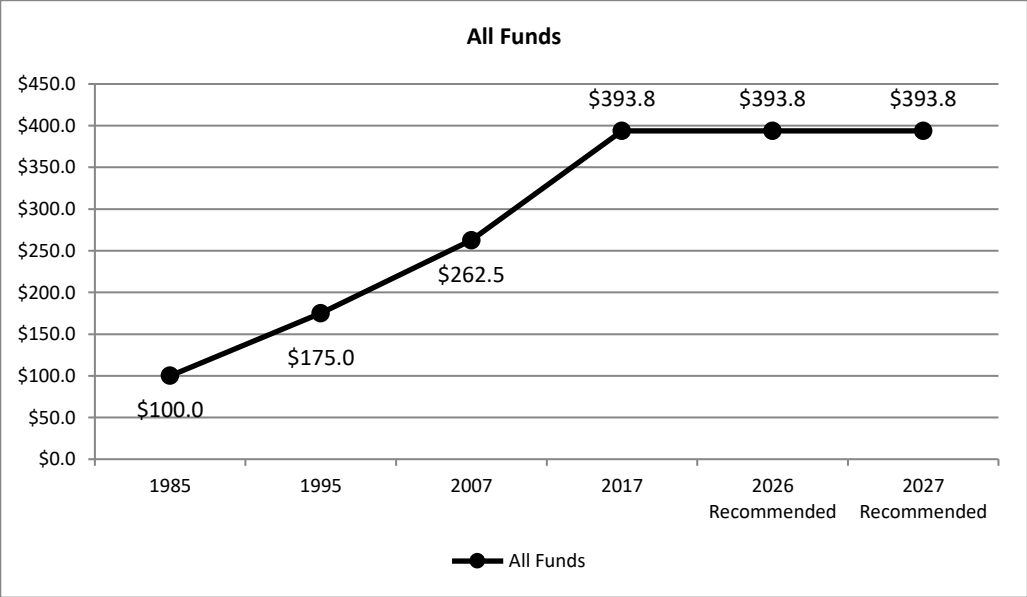
	FY 2025 Budgeted	FY 2027 Recommended	Biennial Change	Percent Change
FTEs	0.0	0.0	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

The Higher Education Fund (HEF) is authorized by the Texas Constitution, Article VII, Section 17. The HEF provides funding for institutions of higher education that are ineligible for the Available University Fund support. HEF appropriations are used for acquiring land, constructing and equipping buildings, major repair of buildings, acquisition of capital equipment, refunding bonds and issued notes, and other permanent improvements for eligible institutions. The Texas Constitution requires that the Texas Legislature determine the HEF appropriation allocation every 10 years and review the allocation at the end of the fifth year of each allocation period.

The bill pattern for this agency (2026-27 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2026-27 biennium.

Historical Funding Levels (Millions)



Higher Education Fund
Summary of Funding Changes and Recommendations - House

Funding Changes and Recommendations for the 2026-27 Biennium compared to the 2024-25 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) There is no change in funding between 2024-25 and 2026-27, as recommendations maintain HEF funding at statutory levels of \$393.8 million in General Revenue per fiscal year.	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	A.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

NOTE: Totals may not sum due to rounding.

**Higher Education Fund
Selected Fiscal and Policy Issues - House**

- Maintain Statutory HEF funding.** The Texas Constitution, Article VII, Section 17, requires the Texas Legislature to determine the Higher Education Fund (HEF) appropriation allocation every 10 years. At the beginning of the current 10-year period, fiscal year 2016 to 2025, the Eighty-fourth Legislature, 2015, enacted Senate Bill 1191, which increased the annual HEF appropriation by 50 percent from \$262.5 million to \$393.8 million beginning in fiscal year 2017. HEF allocations for the upcoming 10-year period, fiscal year 2026 to 2035, are contingent upon the passage of legislation by the Eighty-ninth Legislature, 2025.
Recommendations for HEF funding maintain \$393.8 million in General Revenue per fiscal year.

In the fifth year of a 10-year period, the Legislature may make adjustments to the allocation formula, but no adjustment that will prevent the payment of outstanding bonds and notes. In 2019, based on the recommendation provided by the Texas Higher Education Coordinating Board (THECB) the Eighty-sixth Legislature, 2019, enacted Senate Bill 709, which maintained the total HEF appropriation of \$393.8 million for fiscal years 2020 through 2025, but adjusted allocations to the institutions. In 2023, the Eighty-eighth Legislature enacted Senate Bill 1055, which reallocated HEF funds to account for the transfer of Stephen F. Austin State University (SFA) to the University of Texas System, making SFA eligible for Permanent University Fund support and ineligible for HEF support.

Annual Higher Education Fund Appropriations

Ten-Year Period	Annual Appropriation	Legislation
1986-1995	\$100.0 million	Senate Bill 578, 69 th Legislature
1996-2005	\$175.0 million	House Bill 2462, 74 th Legislature
2006-2015	\$262.5 million (starting in FY 2007)	House Bill 3001, 79 th Legislature
2016-2025	\$393.8 million (starting in FY 2017)	Senate Bill 1191, 84 th Legislature

- THECB HEF Allocation Study.** Per Education Code, Section 62.022, THECB is required to conduct a study of the HEF allocation methodology before the beginning of each 10-year allocation period. Prior to the convening of the Eighty-ninth Legislature, 2025, THECB was required to study the methodology – with full participation of eligible institutions – and make recommendations for the next ten-year allocation period to the Legislative Budget Board and relevant standing committees of the House and Senate. THECB’s review of the allocation formula must include a comparison of the deferred maintenance needs of an institution of higher education and the extent to which the constitutionally dedicated funds were used to meet those needs and an evaluation of the effectiveness of the allocation formula concerning those deferred maintenance needs.

HEF allocations must be made in accordance with an equitable formula consisting of: space deficit, facilities condition, and institutional complexity, plus a separate allocation for the Texas State Technical College System (TSTCS). Under the current HEF allocation methodology outlined in Education Code, Section 62.021(a), after 2.2 percent is set aside for TSTCS, the remaining 97.8 percent of the HEF is allocated as follows:

- Institutional Complexity: 50 percent is allocated based on the institutions’ fiscal year 2018-2019 All Funds Formula Appropriations.
- Space Deficit: 25 percent is allocated based on Space Deficit using the Fall 2017 Space Model projections.
- Facilities Condition: 25 percent is allocated using institutions’ Fall 2017 Educational and General (E&G) Building Replacement Estimate values.

For the upcoming 10-year period, THECB’s recommendations include a 100 percent increase in HEF funding from \$393.8 million to \$787.5 million per fiscal year and an updated allocation methodology. Per THECB’s recommendations, after 2.2 percent is set aside for TSTCS, the remaining 97.8 percent of the HEF is recommended to be allocated as follows:

- Facilities Supplement: Prior to allocation of the following three items, and pending an increase in appropriation level, allocation of an annual supplemental set aside of up to \$2.0 million per institution dependent on Fall 2024 enrollment headcount levels.
- Institutional Complexity: 50 percent allocated based on the institutions’ fiscal year 2026-27 All Funds Formula Appropriations, adding Comprehensive Regional University Funding and Research Funds for General Academic Institutions and earned funding for the performance-based, mission-specific formulas for Health-Related Institutions.
- Space Deficit: 25 percent allocated based on Space Deficit using the Fall 2024 Space Model projections.
- Facilities Condition: 25 percent allocated using institutions’ Fall 2024 actual E&G square footage.

THECB’s recommendations also include adding language to Education Code, Section 62.021, to codify the practice that HEF appropriations may be expended on debt service for Revenue Financing System debt.

The following table reflects the current statutory allocations per institution set forth in Education Code, Section 62.021, and the updated amounts each institution would receive if THECB’s recommendations are adopted by the Eighty-ninth Legislature, 2025.

Annual Higher Education Fund Allocations, FY 2026-35 (in millions)

INSTITUTION	CURRENT ALLOCATION	REQUESTED ALLOCATION	INSTITUTION	CURRENT ALLOCATION	REQUESTED ALLOCATION
University of Houston	\$56.2	\$102.1	Texas Southern University	\$12.1	\$19.0
University of Houston College of Medicine	-	\$5.8	Total, Texas Woman’s University System	\$15.0	\$26.7
University of Houston – Clear Lake	\$8.0	\$13.7	Texas A&M University – Corpus Christi	\$11.8	\$20.5
University of Houston – Downtown	\$11.2	\$19.9	Texas A&M International University	\$7.7	\$15.6
University of Houston – Victoria	\$3.6	\$7.9	Texas A&M University – Kingsville	\$9.1	\$13.5
Total, University of Houston System	\$78.9	\$149.4	East Texas A&M University	\$11.5	\$17.6
Lamar University	\$13.5	\$27.2	Texas A&M University – Texarkana	\$2.1	\$5.6
Lamar State College – Orange	\$1.5	\$6.3	West Texas A&M University	\$7.7	\$15.4
Lamar State College – Port Arthur	\$2.3	\$7.4	Total, Texas A&M University System	\$49.9	\$88.3
Lamar Institute of Technology	\$2.6	\$10.5	Texas Tech University	\$51.4	\$111.5
Sul Ross State University	\$2.2	\$5.6	Texas Tech University Health Sciences Center	\$22.3	\$39.1
Sul Ross State University Rio Grande College	\$0.5	\$3.3	Texas Tech University Health Sciences Center – El Paso	\$5.7	\$13.8
Sam Houston State University	\$18.8	\$31.2	Angelo State University	\$7.0	\$13.2
Sam Houston State University College of Osteopathic Medicine	-	\$7.2	Midwestern State University	\$5.1	\$9.3
Texas State University	\$38.7	\$74.8	Total, Texas Tech University System	\$91.5	\$186.9
Total, Texas State University System	\$80.2	\$173.5	Total, Texas State Technical College	\$8.7	\$17.3
University of North Texas	\$38.5	\$90.0	GRAND TOTAL	\$393.8	\$787.5
University of North Texas Health Sciences Center	\$15.6	\$27.5			
University of North Texas at Dallas	\$3.5	\$8.9			
Total, University of North Texas System	\$57.5	\$126.4			

**Higher Education Fund
Rider Highlights - House**

Modification of Existing Riders

1. **Unexpended Balances.** Recommendations update fiscal years and ensure statutory citations are consistent.

**Higher Education Fund
Items Not Included in Recommendations - House**

		2026-27 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2028-29
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Items Not Included (in agency priority order)							
A)	THECB recommends increasing annual HEF appropriations from \$393,750,000 to \$787,500,000 per fiscal year, for a total of \$1,575,000,000 for the 2026-27 biennium. THECB's recommendations were made with full participation of eligible institutions.	\$787,500,000	\$787,500,000	0.0			\$787,500,000
TOTAL Items Not Included in Recommendations		\$787,500,000	\$787,500,000	0.0			\$787,500,000

**Higher Education Fund
Appendices - House**

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* Appendix is not included - no significant information to report

**Higher Education Fund
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS**

Strategy/Goal	2024-25 Base	2026-27 Recommended	Biennial Change	% Change	Comments
HIGHER EDUCATION FUND A.1.1	\$787,500,000	\$787,500,000	\$0	0.0%	Recommendations maintain Higher Education Fund (HEF) appropriations to align with statutory HEF allocations under Education Code, Sec. 62.021.
Total, Goal A, HIGHER EDUCATION FUND	\$787,500,000	\$787,500,000	\$0	0.0%	
Grand Total, All Strategies	\$787,500,000	\$787,500,000	\$0	0.0%	