

**Higher Education Fund
Summary of Recommendations - Senate**

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Method of Financing	2018-19 Base	2020-21 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%

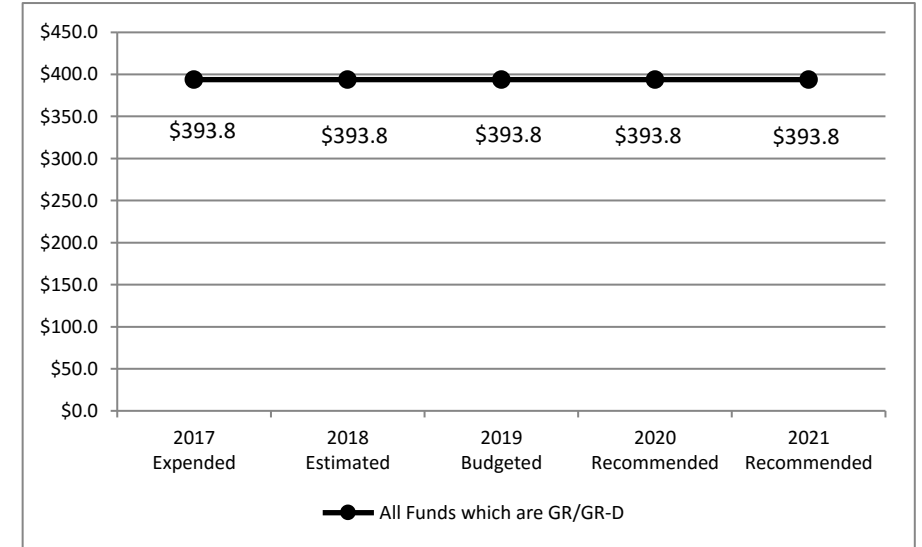
	FY 2019 Budgeted	FY 2021 Recommended	Biennial Change	Percent Change
FTEs	N/A	N/A	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

The Higher Education Fund (HEF) is authorized in the Texas Constitution, Article VII, Section 17. The HEF provides funding for institutions of higher education that are ineligible for 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 or 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 to review the allocation at the end of the fifth year of each 10-year allocation period. The 84th Legislature enacted Senate Bill 1191, which allocated HEF funds for the 10-year period beginning in fiscal year 2016.

The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

Historical Funding Levels (Millions)



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

1. **Adjust allocation amounts for fiscal years 2021-2025.** Recommendations maintain \$393.8 million in General Revenue per fiscal year. The Texas Constitution, Article VII, Section 17, requires the Texas Legislature to determine the HEF appropriation allocation every 10 years and to review the allocation at the end of the fifth year of the ten-year allocation. The 84th Legislature enacted Senate Bill 1191, which increased the annual HEF appropriation from \$262.5 million to \$393.8 million starting in fiscal year (FY) 2017, and reallocated the available funding among the eligible institutions. The fifth year is fiscal year 2021 and the Texas Higher Education Coordinating Board (THECB) conducted a study on the HEF allocation formula during 2018, which recommends adjusting the current allocations to account for fall 2017 data for the remaining five years of the 10-year period. See item 2 below.
2. **THECB HEF Reallocation Study.** THECB has completed a five-year study required by Texas Education Code Sec. 62.022. Current allocation methodology uses a three-factor approach combined with a 2.2 percent set-aside for Texas State Technical Colleges (TSTCs). The 97.8 percent remaining after the set-aside for the TSTCs is currently allocated as follows:
 - Institutional Complexity: 50 percent is allocated based on the institutions' FY 2016-17 all-funds, formula-funding appropriations, as introduced in HB 1, 84th Texas Legislature, Regular Session.
 - Space Deficit: 25 percent is allocated based on unadjusted Space Deficit using institutions' Fall 2014 space need, as determined by the Space Projection Model.
 - Facilities Condition: 25 percent is allocated using institutions' campus condition index values for their Fall 2014 reported building inventories.

The new allocation after the 2.2 percent set-aside for TSTCs would be calculated as follows:

- Institutional Complexity: Continue to allocate 50 percent of available funds but use the FY 2018-19 Formula Appropriations.
- Space Deficit: Continue to allocate 25 percent of available funds based on the unadjusted Space Deficit, updated using the Fall 2017 Space Projection Model.
- Facilities Condition: Continue to allocate 25 percent of available funds using the same methodology, but update using the Fall 2017 Educational and General Campus Condition Index Values.

If adopted, the current allocations remain the same for FY 2020 and enactment of new legislation would be required to amend Texas Education Code Sec. 62.021 for the FY 2021-2025 allocations. Page 3 displays a table containing the current allocations found in Texas Education Code Sec. 62.021(a-1) and the proposed reallocation for FY 2021.

Higher Education Fund

(in millions)

Institution	Current Annual Allocation	Proposed Allocation Beginning FY 2021	Change from Prior Allocation	Percent Change	Institution	Current Annual Allocation	Proposed Allocation Beginning FY 2021	Change from Prior Allocation	Percent Change
University of Houston	\$52.8	\$54.5	\$1.7	3.3%	Stephen F. Austin State University	\$11.6	\$11.3	(\$0.4)	-3.1%
University of Houston – Clear Lake	\$8.0	\$7.7	(\$0.3)	-3.5%	Midwestern State University	\$5.1	\$4.9	(\$0.1)	-2.5%
University of Houston – Downtown	\$11.8	\$10.8	(\$0.9)	-7.9%	Texas Southern University	\$11.7	\$11.7	\$0.1	0.5%
University of Houston – Victoria	\$4.3	\$3.5	(\$0.7)	-17.1%	Texas Woman’s University	\$14.8	\$14.6	(\$0.3)	-2.0%
Total, University of Houston System	\$76.8	\$76.6	(\$0.2)	-0.3%	Total, Independent Universities	\$43.2	\$42.5	(\$0.7)	-1.7%
Lamar University	\$14.1	\$13.1	(\$1.0)	-6.8%	Texas A&M University – Corpus Christi	\$11.1	\$11.5	\$0.3	3.1%
Lamar Institute of Technology	\$2.6	\$2.6	(\$0.0)	-1.1%	Texas A&M International University	\$6.7	\$7.5	\$0.8	11.2%
Lamar State College – Orange	\$1.7	\$1.5	(\$0.2)	-12.2%	Texas A&M University – Kingsville	\$9.0	\$8.9	(\$0.1)	-1.2%
Lamar State College – Port Arthur	\$2.2	\$2.2	\$0.1	2.7%	Texas A&M University – Commerce	\$10.8	\$11.1	\$0.3	3.1%
Sul Ross State University	\$2.1	\$2.2	\$0.0	0.8%	Texas A&M University – Texarkana	\$1.8	\$2.1	\$0.2	12.4%
Sul Ross State University Rio Grande College	\$0.4	\$0.5	\$0.1	15.1%	West Texas A&M University	\$7.2	\$7.4	\$0.3	3.9%
Sam Houston State University	\$17.3	\$18.2	\$0.9	5.2%	Total, Texas A&M University System	\$39.4	\$41.0	\$1.6	3.9%
Texas State University	\$37.2	\$37.6	\$0.4	1.2%	Texas Tech University	\$49.2	\$49.9	\$0.6	1.3%
Total, Texas State University System	\$77.6	\$77.9	\$0.3	0.4%	Texas Tech University Health Sciences Center	\$23.4	\$21.7	(\$1.7)	-7.4%
University of North Texas	\$37.6	\$37.3	(\$0.2)	-0.6%	Texas Tech University Health Sciences Center – El Paso	\$6.2	\$5.6	(\$0.7)	-10.9%
University of North Texas Health Sciences Center	\$17.1	\$15.1	(\$2.0)	-11.5%	Angelo State University	\$5.3	\$6.8	\$1.5	27.7%
University of North Texas at Dallas	\$2.1	\$3.4	\$1.2	58.8%	Total, Texas Tech University System	\$84.2	\$83.9	(\$0.3)	-0.3%
Total, University of North Texas System	\$56.8	\$55.8	(\$0.9)	-1.7%	Total, Texas State Technical College System	\$8.7	\$8.7	\$0.0	0.0%

**Higher Education Fund
Appendices - Senate**

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* Appendix is not included - no significant information to report

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

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
HIGHER EDUCATION FUND A.1.1	\$787,500,000	\$787,500,000	\$0	0.0%	Recommendations maintain General Revenue appropriations for fiscal years 2020-21 due to enactment of Senate Bill 1191, 84th Legislature, which set the annual HEF appropriation at \$393.8 million from fiscal year 2017 through 2020. The Texas Constitution, Article VII, Section 17, requires the Texas Legislature determine the HEF appropriation allocation every 10 years and to review the allocation at the end of the fifth year of the ten-year allocation.
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%	