

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

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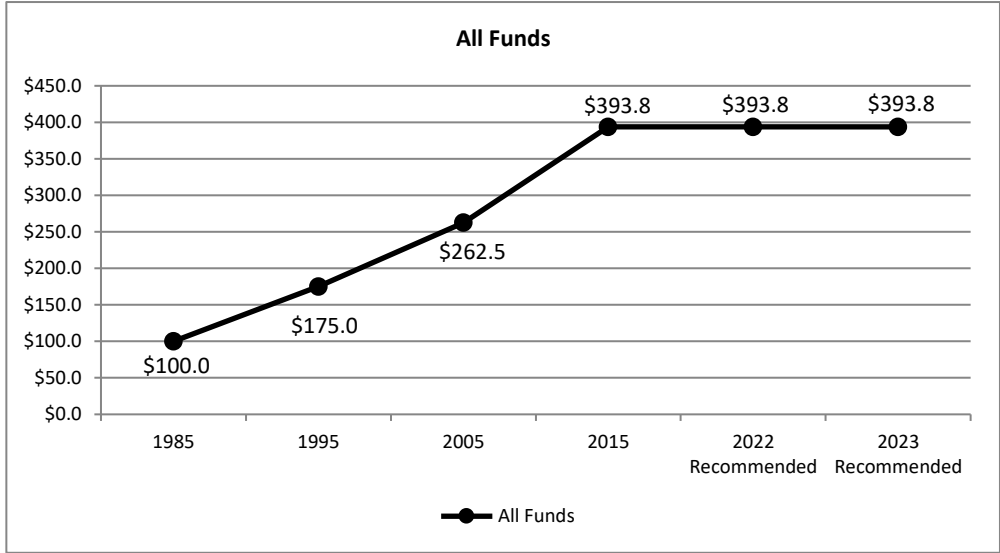
Method of Financing	2020-21 Base	2022-23 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$787,500,000	\$787,500,000	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$787,500,000</i>	<i>\$787,500,000</i>	<i>\$0</i>	<i>0.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$787,500,000	\$787,500,000	\$0	0.0%

	FY 2021 Budgeted	FY 2023 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 in 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 to review the allocation at the end of the fifth year of each allocation period.

Historical Funding Levels (Millions)



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

1. **Allocation amounts for fiscal years 2020-25.** Recommendations for Higher Education Fund (HEF) funding are maintained at \$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. Education Code Section 62.022 requires the Texas Higher Education Coordinating Board (THECB) to conduct a study of the effectiveness of HEF, and present recommendations to the LBB and to the Texas Legislature. Based on the recommendation provided by the THECB, Senate Bill 709, Eighty-sixth Legislature, 2019, was enacted, which maintained the HEF allocation of \$393.8 million for fiscal years 2020-25. Senate Bill 709, Eighty-sixth Legislature, 2019, also enacted adjustments to allocation amounts to eligible institutions based on THECB's five year study. See item 2 below.

2. **THECB HEF Reallocation Study.** As mandated by Texas Education Code 62.022, THECB, with full participation of all HEF eligible institutions, conducted a five-year review of the HEF allocation methodology, and presented recommendations to the LBB and the Texas Legislature. Per Texas Education Code 62.021, HEF allocation methodology utilizes a three-factor approach, combined with a 2.2 percent set-aside for Texas State Technical Colleges (TSTCs). Senate Bill 709, Eighty-sixth Legislature, 2019, enacted the following changes to the HEF funding methodology. After the 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 2018-19 Formula Appropriations.
 - Space Deficit: 25 percent is allocated based on unadjusted Space Deficit using the Fall 2017 Space Model projections.
 - Facilities Condition: 25 percent is allocated using institutions' Fall 2017 Educational and General Campus Condition Index Values.

The changes to the HEF funding methodology resulted in a reallocation of available funds to each eligible institution, as displayed in page 3. These reallocation amounts are enacted in Senate Bill 709, Eighty-sixth Legislature, 2019, and Texas Education Code 62.021 for fiscal years 2020-25. These reallocations do not put payment of HEF-pledged bonds in jeopardy.

Higher Education Fund

(in millions)

Institution	Previous Allocation FY 2016-20	Allocation FY 2020-25	Change from Prior Allocation	Percent Change	Institution	Previous Allocation FY 2016-20	Allocation FY 2020-25	Change from Prior Allocation	Percent Change
University of Houston	\$52.8	\$54.5	\$1.7	3%	Stephen F. Austin State University	\$11.6	\$11.3	(\$0.4)	-3%
University of Houston – Clear Lake	\$8.0	\$7.7	(\$0.3)	-3%	Midwestern State University	\$5.1	\$4.9	(\$0.1)	-3%
University of Houston – Downtown	\$11.8	\$10.8	(\$0.9)	-8%	Texas Southern University	\$11.7	\$11.7	\$0.1	1%
University of Houston – Victoria	\$4.3	\$3.5	(\$0.7)	-17%	Texas Woman’s University	\$14.8	\$14.6	(\$0.3)	-2%
Total, University of Houston System	\$76.8	\$76.6	(\$0.2)	0%	Total, Independent Universities	\$43.2	\$42.5	(\$0.7)	-2%
Lamar University	\$14.1	\$13.1	(\$1.0)	-7%	Texas A&M University – Corpus Christi	\$11.1	\$11.5	\$0.3	3%
Lamar Institute of Technology	\$2.6	\$2.6	(\$0.0)	-1%	Texas A&M International University	\$6.7	\$7.5	\$0.8	11%
Lamar State College – Orange	\$1.7	\$1.5	(\$0.2)	-12%	Texas A&M University – Kingsville	\$9.0	\$8.9	(\$0.1)	-1%
Lamar State College – Port Arthur	\$2.2	\$2.2	\$0.1	3%	Texas A&M University – Commerce	\$10.8	\$11.1	\$0.3	3%
Sul Ross State University	\$2.1	\$2.2	\$0.0	1%	Texas A&M University – Texarkana	\$1.8	\$2.1	\$0.2	12%
Sul Ross State University Rio Grande College	\$0.4	\$0.5	\$0.1	15%	West Texas A&M University	\$7.2	\$7.4	\$0.3	4%
Sam Houston State University	\$17.3	\$18.2	\$0.9	5%	Total, Texas A&M University System	\$39.4	\$41.0	\$1.6	4%
Texas State University	\$37.2	\$37.6	\$0.4	1%	Texas Tech University	\$49.2	\$49.9	\$0.6	1%
Total, Texas State University System	\$77.6	\$77.9	\$0.3	0%	Texas Tech University Health Sciences Center	\$23.4	\$21.7	(\$1.7)	-7%
University of North Texas	\$37.6	\$37.3	(\$0.2)	-1%	Texas Tech University Health Sciences Center – El Paso	\$6.2	\$5.6	(\$0.7)	-11%
University of North Texas Health Sciences Center	\$17.1	\$15.1	(\$2.0)	-12%	Angelo State University	\$5.3	\$6.8	\$1.5	28%
University of North Texas at Dallas	\$2.1	\$3.4	\$1.2	59%	Total, Texas Tech University System	\$84.2	\$83.9	(\$0.3)	0%
Total, University of North Texas System	\$56.8	\$55.8	(\$0.9)	-2%	Total, Texas State Technical College System	\$8.7	\$8.7	\$0.0	0%

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Appendices - Senate

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* Appendix is not included - no significant information to report

Higher Education Fund					
Funding Changes and Recommendations by Strategy - Senate -- ALL FUNDS					
Strategy/Goal	2020-21 Base	2022-23 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 2022-23 due to enactment of Senate Bill 1191, 84th Legislature, which set the annual HEF appropriation at \$393.8 million for fiscal years 2016-25. 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. Based on recommendations from a methodology study released by the Texas Higher Education Coordinating Board in 2018, the annual HEF appropriation of \$393.8 million was maintained for fiscal years 2020-25.
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%	