

SUBJECT: Increasing annual Higher Education Fund appropriation to \$262.5 million

COMMITTEE: Higher Education —favorable, with amendment

VOTE: 8 ayes — Morrison, Goolsby, F. Brown, Dawson, Gallego, Giddings, J. Jones, Rose

0 nays

1 absent — Harper-Brown

WITNESSES: For — None

Against — None

On — Nancy Ellen Soteriou, Texas Higher Education Coordinating Board

BACKGROUND: Texas Constitution, Art. 7, sec. 17(a) authorizes the Higher Education Fund (HEF) to provide funding for capital improvement projects and debt service at 30 institutions that are not eligible for Available University Fund (AUF) funding. The HEF was created as a counterpart to the Permanent University Fund (PUF) for institutions outside the University of Texas and Texas A&M University systems.

Total HEF distributions appear in the general appropriations act and flow through a formula allocation over a 10-year period. The allocation is based on three elements: space deficit, facilities condition, and institutional complexity. From fiscal 1986 through fiscal 1995, the Legislature appropriated \$100 million each year for distribution from the HEF to eligible institutions. Under Art. 7, sec. 17(a), once every five years, the Legislature, by a two-thirds vote, may adjust the amount of the appropriation for the next five years. The 73rd Legislature in 1993 increased the annual allocation beginning in 1995 from \$100 million to \$175 million.

DIGEST: HB 3001, as amended, would increase HEF allocations, distribute the allocations to eligible institutions through the established formula, and provide the adjustments for the specific institutions. The annual

constitutional appropriation would be increased from \$175 million to \$262.5 million.

The bill would make technical changes, repeal obsolete language, and stipulate that the constitutional appropriation allocations would apply each fiscal year beginning September 1, 2005.

The bill would take effect September 1, 2005, except that the overall increase in the allocation would have to be approved by a two-thirds vote of the membership of each house, as required by Texas Constitution, Art. 7, sec. 17(a).

**SUPPORTERS
SAY:**

HB 3001, as amended, would increase appropriations to HEF-eligible universities, allowing these institutions to address growing demands and to achieve parity with institutions that benefit from the PUF. Institutions eligible to receive HEF funds have experienced significant growth in enrollment and physical plants since the current annual appropriation of \$175 million was established in 1995. The demands for instructional capital equipment and the need for new technology have increased greatly over this time period. To allow institutions to do their share in meeting the goals of *Closing the Gaps*, the state's higher education plan, the Legislature should increase the annual appropriation to the HEF-eligible institutions.

The HEF appropriation should be increased to keep up with growth and inflation. According to the Texas Higher Education Coordinating Board, the current space deficit for HEF institutions is 2.37 million square feet, which is more than five times greater than it was five years ago. In addition, as of fall 2003, enrollment at HEF institutions exceeded enrollment at PUF institutions by about 72,000 students. The cost of construction has increased 26.5 percent over the last 10 years, which would require an additional \$50 million per year in HEF money to maintain in constant dollars the amount HEF-eligible institutions received 10 years ago. PUF institutions rely on the AUF for their construction, capital renewal, and equipment needs. The 2005 distribution to the AUF is 54 percent greater than it was in 1995. A 50 percent increase to the HEF allocations would require an additional \$87.5 million per year, which is what HB 3001 would provide.

OPPONENTS
SAY:

While HB 3001 would provide a much needed increase in the HEF allocation, it should require, rather than authorize, the Legislature to examine HEF allocations every five years to determine if the disparity between HEF allocations and AUF allocations is too great.

NOTES:

The committee amendment would delete obsolete language regarding an allocation to Texas Southern University for compliance with the Texas Desegregation Plan.

The fiscal note projects that this bill would result in a cost to general revenue of \$175 million for fiscal 2006-07.

The companion bill, SB 1695 by Duncan, has been referred to the Senate Finance Committee.