

BILL ANALYSIS

H.B. 3001
By: Morrison
Higher Education
Committee Report (Amended)

BACKGROUND AND PURPOSE

The annual appropriation to the Higher Education Fund (HEF) must increase if the HEF institutions are to meet the goals of the Closing the Gaps plan by 2015. HEF institutions have experienced significant growth in enrollments and physical plants since the current annual HEF appropriation of \$175 million was established in 1995. In addition, the demands for instructional capital equipment and evolving technology have sharply escalated. HB 3001 will increase HEF funds to address these growing demands, and to achieve parity with institutions that benefit from Permanent University Funds (PUF).

The following factors high light the need for the enactment of a growth-and inflation-indexed formula to achieve consistent and constant equity among all Texas public institutions of higher education.

- 1) The Texas Higher Education Coordinating Board reports that the current space deficit for the HEF Institution is 2.37 million square feet, which is more than five times larger than it was five years ago.
- 2) The McGraw-Hill Construction Cost Index reports a 26.5 percent inflation factor for construction for the last 10 years. The annual \$175 million appropriation to HEF has been in effect since 1995. For the HEF to maintain in constant dollars the amount it had in 1995 for construction would require an additional \$50 million per year.
- 3) In Fall 2003, the student enrollment at HEF institutions was 72,000 more than the student enrollment at PUF Institutions. The difference in enrollments between the two has increased by almost 50 percent from 10 years ago.
- 4) The PUF Institutions rely on the Available University Fund (AUF) for their construction, capital renewal and equipment needs. The 2005 distribution to the AUF is 54 percent more than it was in 1995. A 50 percent increase to the HEF would require an additional \$87.5 million appropriation per year.

With an appropriate increase in HEF annual funding, requests for tuition revenue bonds could be mitigated, allowing institutions to better plan for facility needs. Requested increases should at least restore real-dollar funding lost to inflation over the past 10 years.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Provides adjustments to the annual constitutional appropriations for certain agencies and institutions of higher education eligible under Section 17(a), Article VII, Texas Constitution.

SECTION 2. Provides that the annual constitutional appropriation is increased from \$175 million to \$262.5 million.

SECTION 3. Provides that the constitutional appropriation adjustments are valid and effective beginning September 1, 2005.

SECTION 4. Repeals Section 62.021(e), Education Code.

H.B. 3001 79(R)

SECTION 5. Provides that the amounts allocated under 62.021, Education Code, as amended by this Act, apply to each state fiscal year beginning with the state fiscal year beginning September 1, 2005.

SECTION 6. Provides that this Act takes effect September 1, 2005, except that Sections 2 and 3 of this Act take effect only if this Act is approved by a vote of two-thirds of the membership of each house of the legislature as required by Section 17(a), Article VII, Texas Constitution.

EFFECTIVE DATE

The increase provided by the amendment to Section 62.024 enacted by the 79th Legislature, Regular Session, 2005, in the amount of the appropriation made under Section 17(a), Article VII, Texas Constitution, is valid and effective beginning September 1, 2005.

The amounts allocated under Section 62.021, Education Code, as amended by this Act, apply to each state fiscal year beginning with the state fiscal year beginning September 1, 2005.

This Act takes effect September 1, 2005, except that Sections 2 and 3 of this Act take effect only if this Act is approved by a vote of two-thirds of the membership of each house of the legislature as required by Section 17(a), Article VII, Texas Constitution.

EXPLANATION OF AMENDMENTS

Eliminates an outdated provision relating to an allotment to Texas Southern University for compliance with the Texas Desegregation Plan.