BILL ANALYSIS

Senate Research Center

S.J.R. 61
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Higher Education Fund (HEF) is a constitutionally dedicated fund created in 1983 as a permanent endowment for those schools not entitled to participate in dedicated funding provided by the Available University Fund. As designed, once the corpus of the fund reaches $2 billion, the annual general revenue allocations provided to these same institutions are required to cease. HEF investments income would then replace general revenue as the method of finance for this capital projects program.

Currently, HEF eligible institutions received $262.5 million annually to acquire land; construct, equip, repair, or rehabilitate buildings; and acquire capital equipment or library materials. Assuming an annual rate of return of 8.34 percent, the Legislative Budget Board projects the HEF will reach $2 billion in 2023. Based on those same assumed returns, and a requirement that 10 percent of the returns remain in the fund, the revenue available to HEF eligible institutions in 16 years would only be $150 million annually.

S.J.R. 61 proposes and constitutional amendment to eliminate the requirement that the general revenue allocation made to HEF eligible institutions cease when the corpus of the HEF reaches $2 billion. This bill requires the revenue generated from the fund to be used to address major repairs or rehabilitation of buildings and facilities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 17(b) and (i), Article VII, Texas Constitution, as follows:

> (b) Deletes existing text requiring funds appropriated under Subsection (a) to be for use at East Texas State University, including East Texas State University at Texarkana. Redesignates existing Subdivisions (2) through (24) as Subdivisions (1) through (23). Redesignates existing Subdivisions (25) and (26) as Subdivisions (26) and (27). Includes Texas A&M University-Commerce and Texas A&M University-Texarkana among the list of eligible institutions of higher education that funds appropriated under Subsection (a) are required to be used for.
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> (i) Deletes existing text requiring the dedication of general revenue funds provided for in Subsection (a) to cease at the beginning of the fiscal year after the fund reaches $2 billion, as certified by the comptroller of public accounts (comptroller). Requires 10 percent of the interest, dividends, and other income accruing from the investments of the higher education fund during the previous fiscal year to be deposited and become part of the principal of the fund, and requires the remainder of the annual income from the investment of the principal of the fund to be appropriated and allocated, distributed, and expended to address the major repair or rehabilitation of buildings, facilities, and other permanent improvements in addition to the amounts appropriated under Subsection (a). Deletes existing text requiring an annual sum sufficient to pay the principal and interest due on the bonds and notes issued under this section and the balance of the income to be allocated, distributed, and expended as provided for the appropriations made under Subsection (a).

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 6, 2007. Sets forth the required language for the ballot.