

BILL ANALYSIS

Senate Research Center
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S.J.R. 81
By: Birdwell et al.
Subcommittee on Higher Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas State Technical College (TSTC) historically has been underfunded, with no consistently adequate capital funding to allow for strategic growth in current or new campuses. With the record growth of employment rates in Texas, the skilled-labor shortage also continues to grow. TSTC has a long history of proven performance in training highly skilled workers. This is why a large group of associations and businesses have been pushing for the expansion of TSTC into the fastest growing regions of Texas for access to training facilities that produce the skilled workforce needed. S.J.R. 81 creates a reliable source of capital funding for TSTC to expand technical training in order to meet the growing skills gap in Texas and place more Texans in great-paying jobs.

S.J.R. 81 establishes a constitutionally dedicated, permanent endowment to fund the capital infrastructure needs of career and technical education programs offered by TSTC.

S.J.R. 81 proposes a constitutional amendment providing for the creation of the technical institution infrastructure fund and the available workforce education fund to support the capital needs of career and technical education programs offered by the Texas State Technical College System.

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 Article VIII, Texas Constitution, by adding Section 23, as follows:

Sec. 23. (a) Provides that the technical institution infrastructure fund and the available workforce education fund are established as special funds in the state treasury for the purpose of providing funding for capital projects and equipment purchases related to career and technical education programs offered by the Texas State Technical College System.

(b) Provides that the technical institution infrastructure fund consists of:

(1) money transferred or deposited to the credit of the fund; and

(2) any interest or other earnings attributable to the investment of money in the fund.

(c) Provides that the available workforce education fund consists of money distributed to the fund from the technical institution infrastructure fund as provided by this section.

(d) Requires the board of regents of the Texas State Technical College System (board) to administer the technical institution infrastructure fund, which is required to be invested in the manner and according to the standards provided for

investment of the permanent university fund. Requires the expenses of managing the investments of the fund to be paid from the fund.

(e) Prohibits the legislature from appropriating money from the technical institution infrastructure fund for any purpose.

(f) Requires the board, for each state fiscal year, to distribute an amount from the interest and other earnings attributable to the investment of money in the technical institution infrastructure fund to the available workforce education fund for purposes of this section. Provides that the amount of the distribution:

(1) is required to be:

(A) at least equal to the amount necessary to pay the principal and interest due for that fiscal year on bonds and notes issued under this section; and

(B) determined in a manner intended to:

(i) provide the available workforce education fund with a stable and predictable stream of annual distributions; and

(ii) maintain over time the purchasing power of the technical institution infrastructure fund; and

(2) subject to Subdivision (1)(A) of this subsection, is prohibited from exceeding:

(A) if the purchasing power of the technical institution infrastructure fund for any rolling 10-year period is not preserved, the amount distributed for the preceding state fiscal year until the purchasing power of the fund is restored; or

(B) seven percent of the average net fair market value of the investment assets of the technical institution infrastructure fund, as determined by the board.

(g) Authorizes the board, subject to Subsection (h) of this section, to issue bonds and notes in a total amount not to exceed 30 percent of the cost value of the investments and other assets of the technical institution infrastructure fund, other than real estate, at the time of issuance, and to pledge all or any part of the system's interest in the available workforce education fund to secure the payment of principal and interest of those bonds and notes, for the purpose of supporting the system administration and career and technical education programs offered by component institutions of the system.

(h) Authorizes bonds and notes to be issued under Subsection (g) of this section only for the purpose of:

(1) acquiring land, either with or without permanent improvements;

(2) constructing and equipping buildings or other permanent improvements;

(3) major repair and rehabilitation of buildings and other permanent improvements;

(4) acquiring capital equipment, including instructional equipment, virtual reality or augmented reality equipment, heavy industrial equipment, and vehicles;

(5) acquiring library books and materials, including digital or electronic library books and materials; and

(6) refunding bonds or notes issued under this section or prior law.

(i) Provides that the total amount of the annual distribution from the technical institution infrastructure fund to the available workforce education fund is appropriated to the board for:

(1) payment of the principal and interest due on the bonds and notes issued by the board under this section and prior law; and

(2) if any money remains after the payment of principal and interest under Subdivision (1) of this subsection, a purpose described by Subsection (h) of this section for the support of the system administration and career and technical education programs offered by component institutions of the system.

(j) Requires the bonds and notes issued under this section to be payable solely out of the available workforce education fund, mature serially or otherwise in not more than 30 years from the date of issuance, and, except for refunding bonds, be sold only through competitive biddings. Provides that each bond or note is subject to approval by the attorney general and, when so approved, is incontestable. Authorizes money in the technical institution infrastructure to be invested in these bonds and notes.

(k) Provides that money appropriated under Subsection (i) of this section that is not spent during the state fiscal year for which the appropriation is made is retained by the Texas State Technical College System and is authorized to be spent in a subsequent state fiscal year for a purpose for which the appropriation was made.

(l) Prohibits the Texas State Technical College System from receiving money from the general revenue fund for a purpose for which the board is authorized to issue bonds or notes under this section, except that:

(1) in the case of fire, natural disaster, or man-made disaster, the legislature by majority vote of the membership of each house is authorized to appropriate to the system from the general revenue fund an amount sufficient to replace the uninsured loss of a building or other permanent improvement; and

(2) the legislature by two-thirds vote of the membership of each house is authorized, in cases of demonstrated need clearly expressed in the act, to appropriate to the system money from the general revenue fund for a purpose for which the board is authorized to issue bonds or notes under this section.

(l-1) Provides that Subsection (1) of this section does not apply to money appropriated before January 1, 2024, or for the payment of principal and interest due on bonds and notes issued under other law before January 1, 2024. Provides that this subsection expires January 1, 2054.

(m) Prohibits the bonds and notes issued under this section, and money appropriated from the available workforce education fund under this section, notwithstanding any other provision of this section, from being used for the purpose of constructing, equipping, repairing, or rehabilitating buildings or other permanent improvements that are to be used for intercollegiate athletics or auxiliary enterprises.

(n) Prohibits an institution that is entitled to participate in dedicated funding provided by Section 17 (Funding to Support Agencies and Institutions of Higher Education Not Supported by Available University Fund) or 18 (Funding to Support Texas A&M University System and University of Texas System; Available University Fund) of this article from being entitled to participate in the funding provided by this section.

(o) Provides that this section does not impair any obligation created by the issuance of bonds or notes in accordance with prior law, including bonds or notes issued under Section 17 of this article before January 1, 2024, and that all outstanding bonds and notes are required to be paid in full, both principal and interest, in accordance with their terms. Provides that this section prevails if this section conflicts with any other provision of this constitution.

(o-1) Requires the Comptroller of Public Accounts of the state of Texas to transfer \$750 million of the unencumbered balance of the general revenue fund that exists on January 1, 2024, to the technical institution infrastructure fund on that date. Provides that this subsection expires December 31, 2024.

SECTION 2. Amends Sections 17(b) and (c), Article VII, Texas Constitution, as follows:

(b) Requires that the funds appropriated under Subsection (a) (relating to appropriations made to be used by eligible agencies and institutions of higher education for certain purposes) of this section to be for the use of the following eligible agencies and institutions of higher education (even though their names may be changed):

(1) Texas A&M University – Commerce, rather than East Texas State University including East Texas State University as Texarkana;

(2) Lamar University including Lamar State College – Orange, and Lamar State College – Port Arthur, rather than Lamar University at Orange and Lamar University at Port Arthur;

(3)-(4) makes no changes to these subdivisions;

Deletes existing text naming the University of Texas – Pan American including the University of Texas at Brownsville. Redesignates Subdivisions (6)-(26) as Subdivisions (5)-(25).

(9) Texas State University, rather than Southwest Texas State University;

(10) Sul Ross State University including Rio Grande College, rather than including Uvalde Study Center;

(11)-(24) makes nonsubstantive changes to these subdivisions; and

(25) Texas A&M University - Texarkana.

Deletes existing text naming Texas State Technical College System and its campuses, but not its extension centers or programs.

(c) Prohibits an institution that is entitled to participate in dedicated funding provided by Section 18 or 23 of this article, rather than Article VII, Section 18, of this constitution, from being entitled to participate in the funding provided by this section.

SECTION 3. Amends Section 18(c), Article VII, Texas Constitution, as follows:

(c) Prohibits an institution that is entitled to participate in dedicated funding provided by Section 17 or 23 of this article, rather than Article VII, Section 17, of this constitution, from being entitled to participate in the funding provided by this section.

SECTION 4. Repealer: Section 17(d-1) (relating to prohibiting the allocation of the annual appropriation to Texas State Technical College System and its campuses from exceeding 2.2 percent of the total appropriation each fiscal year), Article VII (Education) Texas Constitution.

SECTION 5. Amends Article VII, Texas Constitution, by adding Section 23A, as follows:

Sec. 23A. TEMPORARY PROVISION. (a) Provides that the transfer of the Texas State Technical College System from Section 17 of this article to Section 23 of this article by the constitutional amendment proposed by the 88th Legislature, Regular Session, 2023, applies beginning with the state fiscal year that begins September 1, 2025.

(b) Requires that the funds allocated as provided by Section 17(d) of this article to the Texas State Technical College System beginning with the state fiscal year that begins September 1, 2025, be allocated to the other agencies and institutions eligible to receive funds under Section 17 of this article in proportion to the other funds allocated to those agencies and institutions as provided by Section 17(d) of this article, until the legislature or designated agency eliminates the Texas State Technical College System from the formula and allocations made under Section 17(d) of this article.

(c) Provides that this section expires September 1, 2031.

SECTION 6. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 7, 2023. Sets forth the required language of the ballot.