

BILL ANALYSIS

Senate Research Center

H.B. 42
By: Wilson et al. (Huffman)
Finance
5/13/2025
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, public institutions of higher education receive state funding for construction and other capital purposes from either the permanent university fund or the higher education fund, with the latter established for the purpose of providing appropriations to institutions that are not eligible to receive permanent university fund income. The legislature updates higher education fund appropriation levels and allocation methodology on a regular basis and can make allocation adjustments. The Texas Higher Education Coordinating Board, in conjunction with representatives of higher education fund-eligible institutions, are seeking the appropriation of an increased amount over the current appropriation to compensate for the institutions' growth and reduced purchasing power due to inflation. H.B. 42 seeks to provide for that increase by revising the annual allotment amounts allocated to applicable institutions of higher education from the higher education fund beginning with the 2026 fiscal year, and providing for different versions of the allotment schedule depending on voter approval or disapproval of the constitutional amendment proposed by the 89th Legislature relating to a permanent fund to support the capital needs of educational programs offered by the Texas State Technical College System.

H.B. 42 amends current law relating to the amount and allocation of the annual constitutional appropriation to certain agencies and institutions of higher education and to the permissible uses of that money.

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. (a) Makes this section contingent upon approval by the voters of the constitutional amendment proposed by the 89th Legislature, Regular Session, 2025, providing for the creation of funds to support the capital needs of educational programs offered by the Texas State Technical College System.

(b) Amends Section 62.021, Education Code, by amending Subsection (a) and adding Subsections (a-1) and (a-2), as follows:

(a) Provides that, in each state fiscal year beginning with the state fiscal year ending August 31, 2027, rather than August 31, 2021, an eligible institution is entitled to receive an amount allocated in accordance with Section 62.021 (Allocations) from the funds appropriated for that year by Section 17(a) (relating to apportioning state treasury money to be used by eligible agencies and institutions of higher education for the purpose of acquiring certain lands for certain activities), Article VII (Education), Texas Constitution. Provides that the annual amounts allocated by an equitable formula consisting of certain elements are as follows:

(1) to the following component institutions of the University of North Texas (UNT) System:

(A) \$103,401,605, rather than \$38,473,304, to UNT and its branch campus UNT at Frisco, allocated as determined by the board of regents of the system;

(B) \$33,295,551, rather than \$15,581,837, to the UNT Health Science Center at Fort Worth; and

(C) \$10,176,145, rather than \$3,455,644, to UNT at Dallas;

(2) to the following component institutions of the Texas State University System (TSUS):

(A) \$32,210,235, rather than \$13,537,649, to Lamar University;

(B) \$11,501,946, rather than \$2,630,158, to the Lamar Institute of Technology (LIT);

(C) \$7,645,173, rather than \$1,533,301, to Lamar State College—Orange (LSC-Orange);

(D) \$9,856,421, rather than \$2,283,992, to Lamar State College—Port Arthur (LSC-Port Arthur);

(E) \$36,218,217, rather than \$18,787,013, to Sam Houston State University (SHSU);

(F) \$10,819,040 to SHSU College of Osteopathic Medicine;

(G) \$91,594,285, rather than \$38,741,061, to Texas State University;

(H) \$6,284,289, rather than \$2,216,640, to Sul Ross State University (SRSU-Alpine); and

(I) \$3,407,790, rather than \$487,157, to Sul Ross State University—Rio Grande College (SRSU-Rio Grande College);

(3) \$19,354,930, rather than \$12,072,906, to Texas Southern University (TSU);

(4) to the following component institutions of the Texas Tech University (TTU) System:

(A) \$131,225,583, rather than \$51,379,461, to TTU;

(B) \$44,977,109, rather than \$22,305,642, to Texas Tech University Health Sciences Center (TTUHSC) and its branch campuses TTUHSC at Abilene and TTUHSC at Dallas, allocated as determined by the board of regents of the system;

(C) \$15,582,526, rather than \$6,997,943, to Angelo State University (ASU);

(D) \$17,155,861, rather than \$5,725,243, to TTUHSC--El Paso; and

(E) \$10,352,117, rather than \$5,082,034, to Midwestern State University (MSU);

(5) \$30,610,326, rather than \$14,993,229, to the component institutions of the Texas Woman's University (TWU) System, allocated as determined by the board of regents of the system;

(6) to the following component institutions of the University of Houston (UH) System:

(A) \$112,236,829, rather than \$56,158,685, to UH;

(B) \$8,397,495, rather than \$3,649,703, to the University of Houston—Victoria (UH-Victoria);

(C) \$14,968,216, rather than \$7,959,137, to the University of Houston—Clear Lake (UH-Clear Lake);

(D) \$21,881,515, rather than \$11,155,034, to the University of Houston—Downtown (UH-Downtown); and

(E) \$7,947,133 to UH College of Medicine; and

(7) to the following component institutions of The Texas A&M University (TAMU) System:

(A) \$25,075,189, rather than \$11,825,139, to Texas A&M University—Corpus Christi (TAMU-CC);

(B) \$17,666,749, rather than \$7,687,534, to Texas A&M International University (TAMU-International);

(C) \$15,563,520, rather than \$9,125,307, to Texas A&M University—Kingsville (TAMU-Kingsville);

(D) \$17,341,425, rather than \$7,671,155, to West Texas A&M University (WTA&M);

(E) \$19,768,680, rather than \$11,459,464, to East TAMU, rather than TAMU—Commerce; and

(F) \$6,335,816, rather than \$2,112,129, to TAMU—Texarkana.

Deletes existing text providing that the allocation of funds under this subsection is made in accordance with an equitable formula consisting of the following elements: space deficit, facilities condition, and institutional complexity, and a separate allocation for the Texas State Technical College (TSTC) System. Deletes existing text providing that the annual amounts allocated by the formula are as follows: \$8,662,500 to TSTC System Administration and certain component campuses, but not its extension centers or programs. Makes nonsubstantive changes.

(a-1) Provides that, in the state fiscal year ending August 31, 2026, an eligible institution is entitled to receive an amount allocated in accordance with this section from the funds appropriated for that year by Section 17(a), Article VII, Texas Constitution. Requires the Comptroller of Public Accounts of the State of Texas to distribute funds allocated under this subsection only on presentation of a claim and issuance of a warrant in accordance with Section 403.071 (Claims and Available Money; Offense), Government Code. Prohibits an eligible institution from presenting a claim to be paid from any funds allocated under this subsection before the delivery of goods or services described in Section 17 (Funding to Support Agencies and Institutions of Higher Education Not Supported by Available University Fund), Article VII, Texas Constitution, except for the

payment of principal or interest on bonds or notes or for a payment for a book or other published library material as authorized by Section 2155.386 (Prepayment for Library Materials by Institution of Higher Education), Government Code. Provides that the allocation of funds under this subsection is made in accordance with an equitable formula consisting of the following elements: space deficit, facilities condition, institutional complexity, and a separate allocation for TSTC System. Provides that the annual amounts allocated by the formula are as follows:

- (1) to certain component institutions of the UNT System, certain amounts;
- (2) to certain component institutions of TSUS, certain amounts;
- (3) \$18,943,400 to TSU;
- (4) to certain component institutions of the TTU System, certain amounts;
- (5) \$29,920,254 to the component institutions of the TWU System, allocated as determined by the board of regents of the system;
- (6) to certain component institutions of the UH System, certain amounts;
- (7) to certain component institutions of the TAMU System, certain amounts; and
- (8) \$19,642,738 to the TSTC System Administration and certain component campuses, but not its extension centers or programs.

(a-2) Provides that Subsection (a-1) and this subsection expire September 1, 2027.

SECTION 2. (a) Makes this section contingent upon approval by the voters of the constitutional amendment proposed by the 89th Legislature, Regular Session, 2025, providing for the creation of funds to support the capital needs of educational programs offered by the TSTC System.

(b) Amends Section 62.021(a), Education Code, as follows:

(a) Provides that, in each state fiscal year beginning with the state fiscal year ending August 31, 2026, rather than August 31, 2021, an eligible institution is entitled to receive an amount allocated in accordance with Section 62.021 from the funds appropriated for that year by Section 17(a), Article VII, Texas Constitution. Provides that the annual amounts allocated by the formula are as follows:

- (1) to the following component institutions of the UNT System:
 - (A) \$101,017,531, rather than \$38,473,304, to UNT and its branch campus UNT at Frisco, allocated as determined by the board of regents of the system;
 - (B) \$32,573,987, rather than \$15,581,837, to the UNT Health Science Center at Fort Worth; and
 - (C) \$9,987,632, rather than \$3,455,644, to UNT at Dallas;
- (2) to the following component institutions of TSUS:
 - (A) \$31,475,992, rather than \$13,537,649, to Lamar University;
 - (B) \$11,281,002, rather than \$2,630,158, to LIT;
 - (C) \$7,515,016, rather than \$1,533,301, to LSC-Orange;

- (D) \$9,675,280, rather than \$2,283,992, to LSC-Port Arthur;
 - (E) \$35,383,153, rather than \$18,787,013, to SHSU;
 - (F) \$10,615,704 to SHSU College of Osteopathic Medicine;
 - (G) \$89,482,446, rather than \$38,741,061, to Texas State University;
 - (H) \$6,185,508, rather than \$2,216,640, to SRSU-Alpine; and
 - (I) \$3,375,332, rather than \$487,157, to SRSU-Rio Grande College;
- (3) \$18,943,400, rather than \$12,072,906, to TSU;
- (4) to the following component institutions of the TTU System:
- (A) \$128,199,988, rather than \$51,379,461, to TTU;
 - (B) \$43,986,210, rather than \$22,305,642, to TTUHSC and its branch campuses TTUHSC at Abilene and TTUHSC at Dallas, allocated as determined by the board of regents of the system;
 - (C) \$15,250,267, rather than \$6,997,943, to ASU;
 - (D) \$16,806,421, rather than \$5,725,243, to TTUHSC—El Paso; and
 - (E) \$10,159,546, rather than \$5,082,034, to MSU;
- (5) \$29,920,254, rather than \$14,993,229, to the component institutions of the TWU System, allocated as determined by the board of regents of the system;
- (6) to the following component institutions of the UH System:
- (A) \$109,649,047, rather than \$56,158,685, to UH;
 - (B) \$8,249,991, rather than \$3,649,703, to UH-Victoria;
 - (C) \$14,659,572, rather than \$7,959,137, to UH-Clear Lake;
 - (D) \$21,396,280, rather than \$11,155,034, to UH-Downtown; and
 - (E) \$7,810,013 to UH College of Medicine;
- (7) to the following component institutions of the TAMU System:
- (A) \$24,523,894, rather than \$11,825,139, to TAMU-CC;
 - (B) \$17,294,100, rather than \$7,687,534, to TAMU-International;
 - (C) \$15,245,069, rather than \$9,125,307, to TAMU-Kingsville;
 - (D) \$16,975,295, rather than \$7,671,155, to WTA&M;
 - (E) \$19,335,200, rather than \$11,459,464, to East TAMU, rather than TAMU-Commerce; and

(F) \$6,235,848, rather than \$2,112,129, to TAMU-Texarkana; and

(8) \$19,642,738, rather than \$8,662,500, to the TSTC System Administration and certain component campuses, but not its extension centers or programs, including TSTC-Fort Bend County and TSTC-East Williamson County.

Makes nonsubstantive changes to this subsection.

SECTION 3. Amends Section 62.021, Education Code, by adding Subsection (c-1), as follows:

(c-1) Authorizes each governing board participating in the distribution of funds as described in Section 62.021 to in its sole discretion use the funds to pay the principal and interest of bonds that were issued under Chapter 55 (Financing Permanent Improvements) and the proceeds of which were spent for a purpose described in Section 17(a), Article VII, Texas Constitution.

SECTION 4. Amends Section 62.024, Education Code, as follows:

Sec. 62.024. AMOUNT OF ALLOCATION INCREASED. Provides that, in accordance with Section 17(a), Article VII, Texas Constitution, for each state fiscal year beginning with the state fiscal year ending August 31, 2026, rather than August 31, 2017, the amount of the annual constitutional appropriation under that subsection is increased to \$892,851,716, rather than \$393.75 million. Deletes existing text providing that, before the state fiscal year ending August 31, 2017, the amount of the annual constitutional appropriation under that subsection is \$262.5 million.

SECTION 5. Amends Section 62.027(c), Education Code, as follows:

(c) Provides that the increase provided by the amendment to Section 62.024 (Amount of Allocation Increased) enacted by the 89th Legislature, Regular Session, 2025, in the amount of the appropriation made under Section 17(a), Article VII, Texas Constitution, for each state fiscal year beginning with the state fiscal year ending August 31, 2026, constitutes the increase in accordance with Section 17(a) that the legislature considers appropriate for the five-year period beginning September 1, 2025.

Deletes existing text providing that the increase provided by the amendment to Section 62.024 enacted by the 84th Legislature, Regular Session, 2015, in the amount of the appropriation made under Section 17(a), Article VII, Texas Constitution, for each state fiscal year beginning with the state fiscal year ending August 31, 2017, constitutes the increase in accordance with Section 17(a) that the legislature considers appropriate for the five-year period beginning September 1, 2015.

SECTION 6. Repealer: Section 62.021(e-2) (relating to providing that the University of Texas-Pan American and the University of Texas at Brownsville are omitted from the allocation of funds under this section), Education Code.

SECTION 7. Provides that 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, 2025.

SECTION 8. Provides that, contingent on the passage and becoming law of S.B. 2361 or similar legislation of the 89th Legislature, Regular Session, 2025, relating to the transfer of UH--Victoria to the TAMU System, the amounts allocated to UH--Victoria under Section 62.021, Education Code, as amended by this Act, are allocated to the university as transferred to the TAMU System.

SECTION 9. (a) Effective date, except as provided by Subsection (b) of this section: September 1, 2025.

(b) Effective date, Sections 4 and 5 of this Act: September 1, 2025, contingent on approval of this Act by a vote of two-thirds of the membership of each house of the legislature.