



## LEGISLATIVE BUDGET BOARD

# Financing Public Higher Education in Texas

## Legislative Primer

**SUBMITTED TO THE EIGHTY-EIGHTH TEXAS LEGISLATURE  
PREPARED BY LEGISLATIVE BUDGET BOARD STAFF**

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**AUGUST 2022**

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# INTRODUCTION

Texas’ system of public higher education encompasses 37 general academic institutions: three lower-division institutions, 50 community and junior college districts, one technical college system, and 13 health-related institutions. Higher education also includes eight Texas A&M University (TAMU) System agencies, including the Texas Department of Emergency Management, that provide research and other statewide support; two constitutionally authorized funds to support new construction and maintenance programs; several statutorily authorized research funds; and assistance to public institutions of higher education to offset the waived tuition and fee revenue pursuant to the Hazlewood Legacy Program.

The state’s public higher education system is governed by the nine-member Texas Higher Education Coordinating Board (THECB), whose mission is to ensure an effective and efficient system of higher education. THECB’s responsibilities include assessing Texas’ system of higher education and recommending improvements to the Governor, the Legislature, and institutions. THECB reviews and recommends changes in formulas that govern the allocation of state funds to public institutions to limit duplication of academic programs and unnecessary construction projects. THECB also promotes access to high-quality programs at various institutional levels and oversees the state’s student financial aid programs.

Based on 2021 preliminary enrollment figures reported by THECB, about 1.3 million students are enrolled in Texas public institutions of higher education. General academic institutions, health-related institutions, and technical colleges reported increased enrollment; however, community and state colleges reported decreased enrollment. The result was a slight net decrease from 2020 in overall enrollment, amounting to approximately 5,000 fewer students.

## LEGISLATIVE APPROPRIATIONS

Legislative appropriations for higher education provide funding for instruction, student services, administration, employee benefits, facility construction and renovation, capital equipment, nonformula support items, and student financial aid. Institutions of higher education receive lump-sum appropriations, a single amount of funding that has few limits on transferability among budgetary strategies. Except for appropriations to THECB and the TAMU System agencies, Federal Funds typically are not included in appropriations for higher education. The Eighty-seventh Legislature, Third Called Session, 2021, appropriated federal stimulus funds related to the COVID-19 pandemic to certain institutions and THECB that were allocated to the state through the American Rescue Plan Act of 2021.

As shown in **Figure 1**, the Eighty-seventh Legislature, Regular Session, 2021, appropriated \$23,650.6 million in

**FIGURE 1**  
**HISTORICAL SPENDING FOR TEXAS PUBLIC HIGHER EDUCATION, 2014-15 TO 2022-23 BIENNIA**

<b>(IN MILLIONS)</b>					
<b>METHOD OF FINANCE</b>	<b>2014-15</b>	<b>2016-17</b>	<b>2018-19</b>	<b>2020-21</b>	<b>2022-23</b>
General Revenue Funds	\$13,267.5	\$14,689.6	\$14,953.7	\$15,796.0	\$16,707.2
General Revenue-Dedicated Funds	\$2,676.1	\$2,913.0	\$2,822.5	\$2,785.2	\$2,806.1
Other Funds	\$2,334.0	\$2,362.4	\$2,840.4	\$3,352.4	\$3,099.1
Federal Funds	\$275.0	\$279.3	\$282.8	\$4,276.6	\$1,038.1
<b>Total, Higher Education</b>	<b>\$18,552.6</b>	<b>\$20,244.3</b>	<b>\$20,899.4</b>	<b>\$26,210.3</b>	<b>\$23,650.6</b>
Percentage of Statewide Total	9.1%	9.4%	8.7%	9.7%	8.9%
<b>Statewide Total, All Articles</b>	<b>\$203,300.5</b>	<b>\$215,991.7</b>	<b>\$239,797.5</b>	<b>\$270,340.5</b>	<b>\$264,804.7</b>

**NOTES:**

- (1) Amounts shown include amounts related to employee benefits.
  - (2) Amounts shown for the 2022-23 biennium are appropriated; amounts for other biennia are estimated or budgeted.
  - (3) The Federal Funds amount for the 2022-23 biennium includes appropriations from the American Rescue Plan Act of 2021.
- SOURCE: Legislative Budget Board.

All Funds for the 2022–23 biennium to support Texas higher education, including an increase of \$911.2 million in General Revenue Funds and \$20.9 million in General Revenue–Dedicated Funds, offset by a decrease of \$253.3 million in Other Funds and a decrease of \$3,238.5 million in Federal Funds.

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# APPROPRIATIONS AND EXPENDITURES

Public institutions and agencies of higher education in Texas receive funding from appropriated and nonappropriated sources. Appropriated funds are allocated to public institutions and agencies of higher education directly through the institution's bill pattern or through indirect appropriations, which are appropriated elsewhere in the General Appropriations Act (GAA) and subsequently are allocated to the institution. Any nonappropriated funds that an institution receives are not included in the GAA.

## APPROPRIATED FUNDS

The Texas Education Code, Section 61.059(k), directs the Legislature to encourage institutions of higher education to use appropriated funds at their discretion, differentiating them in a key way from state agencies. Unlike other state agencies, higher education institutions are not required to spend appropriations within a specified budgetary strategy, with certain limitations, but rather receive funds as single, unrestricted amounts known as a lump-sum appropriations. The GAA provides an informational listing of each institution's appropriated funds with its lump-sum appropriation, which shows how state funds are allocated but not how they must be spent.

Funds for higher education institutions are appropriated from All Funds through four methods of finance: General Revenue Funds; General Revenue–Dedicated Funds; Federal Funds; and Other Funds. Most appropriations are allocated to institutions of higher education through funding formulas, the majority of which are General Revenue Funds. The Legislature's allocation of state appropriations may differ by types of institutions, such as general academic institutions (GAI) or community colleges, but will be consistent across similar types of institutions.

Funding formulas, which vary by type of institution, determine the majority of state appropriations for institutions of higher education. GAIs receive funding generated through the Instruction and Operations (I&O) and Infrastructure formulas. Texas State Technical Colleges receive funding for operations through a returned-value funding model, and they receive Infrastructure formula funds through the GAI formula. The Lamar State Colleges receive I&O funding based on contact hours and formula funds through the GAI

Infrastructure formula. Health-related institutions receive funding through the I&O, Infrastructure, Graduate Medical Education, and mission-specific formulas. Junior and community colleges receive funding through the I&O formula and Student Success Points, an outcomes-based model for their Instruction and Administration formula.

Other areas of higher education receive General Revenue Funds appropriations, including the Texas A&M University (TAMU) System agencies, Higher Education Employees Group Insurance (HEGI), the Higher Education Fund, and certain financial aid programs administered by the Texas Higher Education Coordinating Board (THECB).

General Revenue–Dedicated Funds include accounts within the General Revenue Fund that are dedicated by the Legislature for specific purposes. For higher education institutions, the majority of appropriations from General Revenue–Dedicated Funds consists of statutory tuition and fee revenue generated by the institutions, which are considered local funds. The Texas Education Code, Section 51.009(a), defines local funds as net tuition, certain special course fees, lab fees, student teaching fees, hospital and clinic fees, organized activity fees, proceeds from the sale of educational and general equipment, and indirect cost-recovery fees. Appropriations from General Revenue Funds directed to institutions are sum-certain, or limited to the amount in each institution's appropriations; however, the appropriation of Other Educational and General Income—primarily statutory tuition—is estimated. If tuition revenue generated by an institution is greater than the amount included in the GAA, the institution may spend those funds at a level greater than the amounts specified in the GAA.

Federal Funds appropriations include grants, allocations, payments, or reimbursements received by institutions from the federal government. Federal Funds received by public higher education institutions are not appropriated in the GAA except for those received by THECB and the TAMU System agencies.

Other Funds include state funds not included in General Revenue Funds or General Revenue–Dedicated Funds that can be appropriated directly or indirectly. For institutions of higher education, examples of directly appropriated Other Funds include license plate revenues and Tobacco Settlement

funds; examples of indirectly appropriated Other Funds include the Available University Fund, the National Research University Fund, and the Permanent Health Fund.

Figure 2 shows the methods of finance of the \$23,650.6 million in state appropriations for the 2022–23 biennium. This amount includes appropriations for HEGI.

**INDIRECT APPROPRIATED FUNDS**

Also included in appropriated funds are indirect appropriations, which are not allocated directly to an institution in its GAA bill pattern. Indirect appropriations initially are placed into other funding mechanisms before being distributed and allocated to institutions. Institutions use indirect appropriations from General Revenue Funds and Other Funds to cover costs related to the institution’s employees for health insurance, retirement benefits, and Social Security.

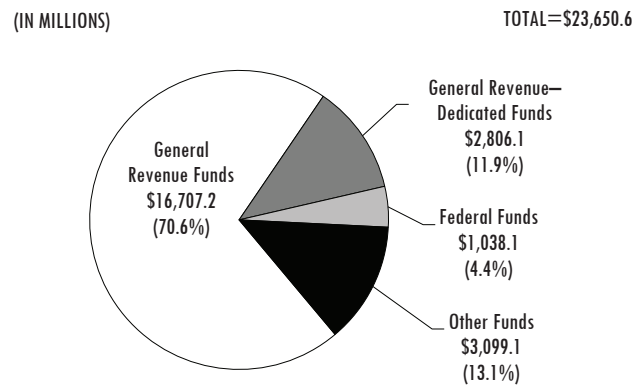
**NONAPPROPRIATED FUNDS**

Nonappropriated funds include designated funds, auxiliary income, and patient income. Designated funds include designated tuition, all other fees, interest on local funds, restricted funds, earnings on endowments, revenue from contracts, and grants and gifts. Designated tuition, which is tuition in addition to statutory tuition, is set at each institution by its governing board. Designated tuition is defined in statute as an institutional fund, which means the revenue is not considered part of educational and general funds. Statute specifies that this revenue may not be used to offset appropriations from General Revenue Funds in the GAA.

Auxiliary income includes revenue generated through intercollegiate athletics fees, bookstores, food services, transportation services, student health service pharmacies, student unions, residence halls, child development centers, and recreation centers. Student services fees are intended for activities that are separate from the institution’s regularly scheduled academic functions and directly involve or benefit students, including textbook rentals, recreational activities, health-related services, cultural activities, and student transportation services. Incidental fees include late registration fees, library fines, microfilming fees, thesis or doctoral manuscript reproduction or filing fees, and declined-check charges.

Public higher education institutions receive hospital and clinic revenues earned through patient-care activities (i.e., patient income) as nonappropriated funds outside of the GAA. Before the 2014–15 biennium, institutions received these revenues as appropriations in the GAA.

**FIGURE 2  
METHODS OF FINANCE FOR TEXAS PUBLIC HIGHER EDUCATION, INCLUDING HIGHER EDUCATION EMPLOYEES GROUP INSURANCE  
2022–23 BIENNIUM**



NOTE: Totals may not sum due to rounding.  
SOURCE: Legislative Budget Board.

**EXPENDITURES**

Higher education institutions have discretion in spending appropriated funds, with the following exceptions:

- the Texas Constitution, Article VII, Sections 18(i) and 17(j), prohibits, with limited exceptions, the use of General Revenue Funds for construction projects. An exception occurs when the Legislature, by two-thirds vote in each chamber, opts to use General Revenue Funds for construction projects following a natural disaster or when a project has demonstrated need;
- the Eighty-seventh Legislature, GAA, 2022–23 Biennium, Article III, Special Provisions, Section 6, prohibits the use of appropriated funds for auxiliary enterprises;
- the 2022–23 GAA, Article III, Special Provisions, Section 6, limits the use of funds clearly labeled in informational strategies for revenue or Capital Construction Assistance Project bond retirement to pay debt service for Capital Construction Assistance Project bonds. Any amount of an appropriation not spent must be returned to the General Revenue Fund at the end of the fiscal year;
- the 2022–23 GAA, Article III, Special Provisions, Section 9, prohibits the use of appropriated funds for intercollegiate athletics purposes;
- the 2022–23 GAA, Article III, Special Provisions, Section 12, prohibits the use of appropriated funds for



the support or maintenance of alumni organizations or activities;

- the Texas Education Code, Section 130.003(c), restricts community and junior colleges to spending General Revenue Funds for instruction and administrative costs only; and
- certain institutions have budget riders that require spending of appropriated funds on a particular program.



# FUNDING GENERAL ACADEMIC INSTITUTIONS

Texas’ general academic institutions consist of 37 public colleges and universities that provide baccalaureate, master, professional, and doctoral degree programs, pursuant to the Texas Education Code, Section 61.003. The institutions share common goals of instruction, research, and public service; however, each has a unique set of academic offerings and a unique regional or statewide mission. **Figure 3** shows the institutions and enrollments.

The state also provides funding to five general academic system offices. The Eighty-seventh Legislature, Regular Session, 2021, authorized Texas Woman’s University to form a system; subsequent Legislatures may determine whether to provide funding for a system office.

Institutions receive direct and indirect appropriations from the state. Direct funding appears in the individual bill

patterns for the institutions. Appropriations that benefit institutions but are not shown in their individual bill patterns include the Higher Education Fund, the Available National Research University Fund, Available University Fund, Higher Education Employees Group Insurance, and Texas Research Incentive Program funds that are trusted to the Texas Higher Education Coordinating Board (THECB).

**Figure 4** shows the methods of finance for appropriations for general academic institutions, including certain indirect appropriations. Appropriations for employee retirement benefits are not included. **Figure 5** shows the percentage of funding related to these direct and indirect appropriations.

General academic institutions also receive funds that are not represented in the state appropriations process including certain tuition and fees, such as designated tuition and

**FIGURE 3**  
**TEXAS PUBLIC GENERAL ACADEMIC INSTITUTIONS, FALL 2021**

INSTITUTION	ENROLLMENT	INSTITUTION	ENROLLMENT
Angelo State University	10,761	Texas State University	37,910
Lamar University	15,735	Texas Tech University	40,216
Midwestern State University	5,797	Texas Woman’s University	15,827
Prairie View A&M University	9,426	University of Texas at Arlington	41,515
Sam Houston State University	21,221	University of Texas at Austin	51,794
Stephen F. Austin State University	11,946	University of Texas at Dallas	29,691
Sul Ross State University	1,485	University of Texas at El Paso	24,003
Sul Ross State University, Rio Grande College	841	University of Texas Rio Grande Valley	31,725
Tarleton State University	13,996	University of Texas of the Permian Basin	5,595
Texas A&M International University	8,420	University of Texas at San Antonio	34,177
Texas A&M University	66,145	University of Texas at Tyler	9,247
Texas A&M University – Central Texas	2,215	University of Houston	46,968
Texas A&M University – Commerce	11,493	University of Houston – Clear Lake	9,398
Texas A&M University – Corpus Christi	10,763	University of Houston – Downtown	15,081
Texas A&M University at Galveston	2,173	University of Houston – Victoria	4,350
Texas A&M University – Kingsville	6,377	University of North Texas	42,227
Texas A&M University – San Antonio	6,985	University of North Texas at Dallas	4,186
Texas A&M University – Texarkana	2,112	West Texas A&M University	9,550
Texas Southern University	7,525	<b>Statewide Totals</b>	<b>668,876</b>

NOTE: Enrollment based on preliminary fall 2021 headcount.  
SOURCE: Texas Higher Education Coordinating Board.

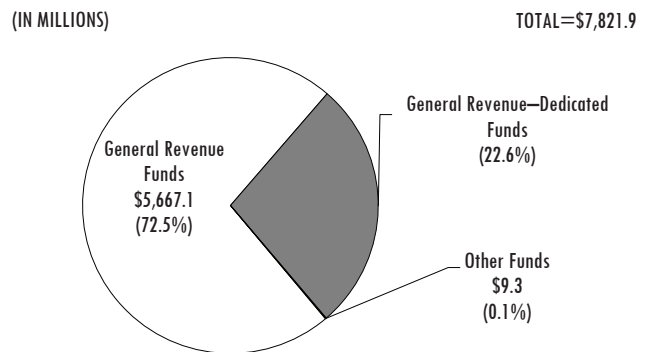
incidental fees (see **Appendix B**); indirect cost recovery (see **Appendix C**); auxiliary operations (i.e., revenue from athletics, student services fees, bookstores, and parking); and grants and gifts.

**FORMULA FUNDING**

Approximately 67.0 percent of state appropriations for general academic institutions are allocated via two funding formulas and two supplements: the Instruction and Operations (I&O) formula; the Infrastructure Support formula; the Teaching Experience Supplement; and the Small Institution Supplement. This total percentage does not include Board Authorized Tuition, which is provided in addition to formula amounts. The formulas and supplements are direct appropriations based primarily on enrollment and space needs.

Formula appropriations consist of General Revenue Funds and some General Revenue–Dedicated Funds in the form of Other Educational and General (Other E&G) Income. Other E&G Income includes specific tuition and fee revenue (see **Appendix B**), and its inclusion in the formula funding calculation is referred to as an All Funds methodology. The most significant tuition revenue included in the calculation is statutory tuition, which is charged in accordance with the Texas Education Code, Section 54.051, Tuition Rates. The statutory tuition rate for academic year 2022–23 is \$50 per semester credit hour for Texas residents. The corresponding tuition rate for a nonresident student is

**FIGURE 4  
METHODS OF FINANCE FOR TEXAS GENERAL ACADEMIC INSTITUTIONS, 2022–23 BIENNIUM**



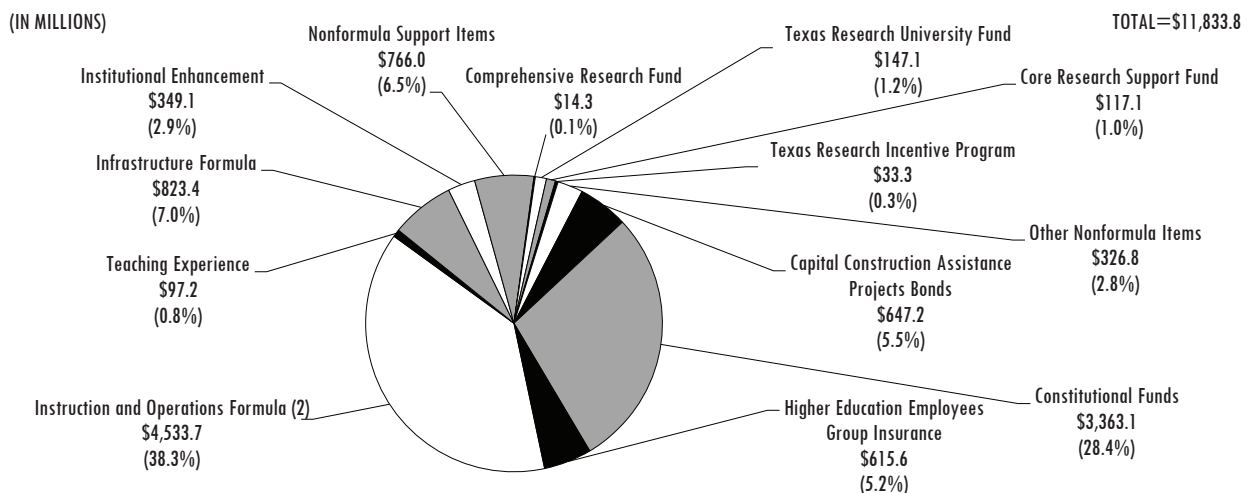
NOTE: Includes direct and certain indirect appropriations.  
SOURCE: Legislative Budget Board.

the average nonresident tuition charged to a Texas resident at a public university in each of the five most populous states other than Texas.

Of the \$5,454.4 million allocated by the general academic formulas and supplements for the 2022–23 biennium, approximately 71.6 percent consists of General Revenue Funds, with the remainder consisting of General Revenue–Dedicated Funds (Other E&G Income, including Board Authorized Tuition).

A portion of Other E&G Income is set aside for specific purposes or allocated to nonformula-based strategies in the institution’s

**FIGURE 5  
APPROPRIATIONS FOR TEXAS GENERAL ACADEMIC INSTITUTIONS, 2022–23 BIENNIUM**



NOTES:  
(1) Amounts include direct and certain indirect appropriations.  
(2) The Instruction and Operations Formula includes Board Authorized Tuition.  
SOURCE: Legislative Budget Board.

bill pattern. For example, institutions must set aside a portion of their tuition to provide Texas Public Education Grants, which are intended to help students cover tuition, fees, and textbook costs when these expenses exceed a certain portion of their families' contributions to their educations. This set-aside tuition and fee revenue is not included in formula calculations.

**INSTRUCTION AND OPERATIONS FORMULA**

Approximately 83.6 percent of formula funds are allocated through the I&O formula and Teaching Experience Supplement. Not including Board Authorized Tuition, this amount includes \$4,309.7 million allocated through the I&O formula for the 2022–23 biennium. The I&O formula is calculated as follows:

$$\text{Semester Credit Hours} \times \text{Program and Level Weight} \times \text{Rate } (\$55.66)$$

Semester credit hours (SCH) are a measurement of the number and level of courses an institution provides and the number of students enrolled in those courses. The formula calculation for a biennium uses a base period of SCH, which for the 2022–23 biennium included summer 2020, fall 2020, and spring 2021.

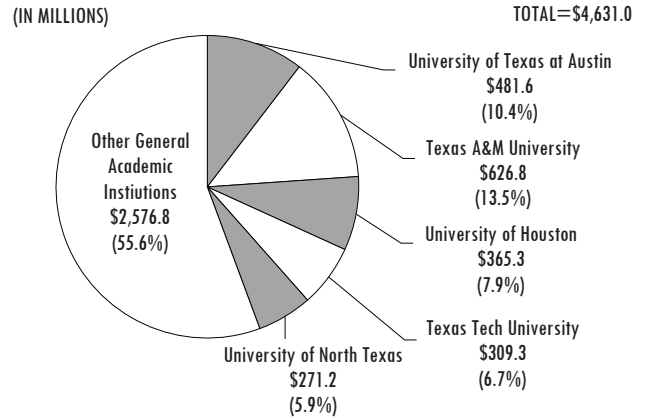
SCH are weighted by discipline (e.g., nursing is weighted more than liberal arts) and by level (i.e., lower and upper divisions; master, doctoral, and professional degrees) according to a cost-based funding matrix derived from an expenditure study conducted biennially by THECB. For example, a lower-division liberal arts course receives a lower weight than a doctoral-level liberal arts course weight, and a nursing lower-division course receives a lower weight than a doctoral nursing course weight. Beginning with the Seventy-ninth Legislature, General Appropriations Act (GAA), 2006–07 Biennium, the basis for the weights per discipline is an aggregation of actual costs demonstrated in institutions' annual financial reports. THECB uses a rolling three-year average to adjust the weights each biennium.

The Legislature sets the weights and the rate in the GAA, Article III, Special Provisions Relating Only to State Agencies of Higher Education, typically adopting weights recommended by the THECB and basing rates on available funding and enrollment changes.

**TEACHING EXPERIENCE SUPPLEMENT**

The Teaching Experience Supplement was implemented at 5.0 percent during the 1998–99 biennium. The Seventy-seventh Legislature, 2001, increased the supplement to 10.0

**FIGURE 6  
DISTRIBUTION OF TEXAS PUBLIC HIGHER EDUCATION  
INSTRUCTION AND OPERATIONS FORMULA AND  
TEACHING EXPERIENCE SUPPLEMENT, 2022–23 BIENNIUM**



NOTE: Includes Board Authorized Tuition.  
SOURCE: Legislative Budget Board.

percent beginning for the 2002–03 biennium. The Eighty-fifth Legislature, 2018–19 GAA, Article III, Special Provisions Relating Only to State Agencies of Higher Education, Section 26, included a provision stating intent that the weight should increase by 10.0 percent per biennium, up to 50.0 percent. The intent provision also appears in the Eighty-seventh Legislature, 2022–23 GAA. Allocations of the Teaching Experience Supplement total \$97.2 million for the 2022–23 biennium. An additional weight of 10.0 percent is added to lower-division and upper-division SCH taught by tenured and tenure-track faculty.

The Teaching Experience Supplement is calculated as follows:

$$\text{Semester Credit Hours} \times \text{Program and Level Weight} \times \text{Supplement } (0.10) \times \text{Rate } (\$55.66)$$

Figure 6 shows the I&O formula and the Teaching Experience Supplement allocation to institutions for the 2022–23 biennium.

**INFRASTRUCTURE SUPPORT FORMULA**

Approximately 16.4 percent of the general academic institutions' formula funds are allocated through the Infrastructure Support formula and Small Institution Supplement, which totals \$823.4 million for the 2022–23 biennium. In addition to funding for universities, this total includes infrastructure formula appropriations received by the Lamar State Colleges and components of the Texas State Technical College System. This formula uses a statewide infrastructure rate set in the GAA, which is categorized into

two rates for the purpose of formula calculations: an Adjusted Utility Rate and an All Other Rate. As with the SCH rate, the Legislature bases the infrastructure funding rate on available funding, including consideration of changes in institutional space and other factors.

The Infrastructure Support formula is calculated as follows:

$$\begin{aligned} & (\text{Adjusted Utility Rate} + \text{All Other Rates}) \\ & \times \text{Predicted Square Feet} \end{aligned}$$

The Adjusted Utility Rate is 36.6 percent of the statewide infrastructure rate and is based on the percentage of infrastructure formula funds that institutions historically have spent on utilities. A statewide utility rate is determined and then adjusted for each institution to account for regional differences in utility costs relative to other institutions.

The All Other Rate is 63.5 percent of the statewide infrastructure rate and remains constant among institutions. It accounts for costs related to institutions' physical plants, grounds, maintenance, and custodial services.

THECB's Space Projection Model for higher education institutions in Texas estimates square footage for each institution, which projects the amount of space an institution needs based on the following factors:

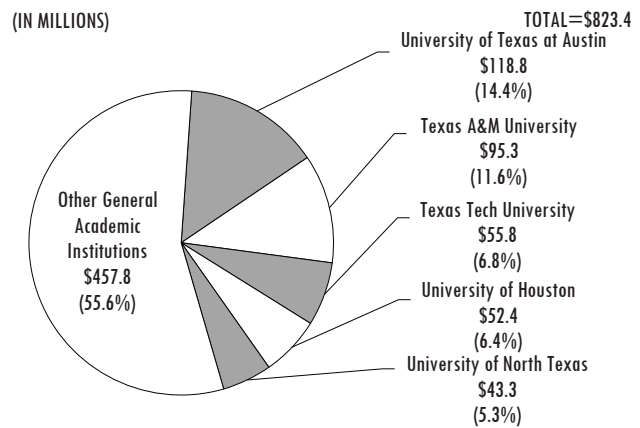
- number, program, and level of semester credit hours;
- number of faculty, nonfaculty, students, programs, and library holdings; and
- research and current educational and general expenditures.

Figure 7 shows the Infrastructure Support formula allocation to institutions. The similarity of the allocation to the I&O formula allocation demonstrates the influence of enrollment on both formula allocations.

**SMALL INSTITUTION SUPPLEMENT**

Before fiscal year 2010, general academic institutions with enrollments of less than 5,000 received a \$750,000 annual Small Institution Supplement. The Eighty-first Legislature, Regular Session, 2009, increased the enrollment threshold to 10,000 students and gradually implemented the supplement for the 2010–11 biennium. This methodology remains in effect, although the supplement has grown to a biennial amount of \$2.6 million for General Academic Institutions including the Lamar State Colleges, and \$1.3 million for Texas State Technical Colleges. Figure 8 shows 2022–23 biennial recipients.

**FIGURE 7**  
**DISTRIBUTION OF TEXAS PUBLIC HIGHER EDUCATION INFRASTRUCTURE SUPPORT FORMULA AND SMALL INSTITUTION SUPPLEMENT, 2022–23 BIENNIUM**



SOURCE: Legislative Budget Board.

**NONFORMULA FUNDING**

Nonformula funding consists of state appropriations for public general academic institutions that are allocated without following the previously discussed formulas and supplements. Nonformula funding that is appropriated from General Revenue Funds may include nonformula support items, hold harmless funds, funding for workers' and unemployment compensation insurance, and other funding. Institutions also may receive nonformula funding from General Revenue–Dedicated Funds.

**NONFORMULA SUPPORT ITEMS**

Appropriations for nonformula support items, formerly known as special items, are direct appropriations to institutions for projects that are not funded by formula but are identified specifically by the Legislature for funding. Nonformula item appropriations to general academic institutions and university system offices total \$766.0 million in General Revenue Funds and General Revenue–Dedicated Funds for the 2022–23 biennium. This amount is a decrease of \$19.0 million from 2020–21 biennial funding, which includes \$45.0 million in supplemental appropriations by the Eighty-seventh Legislature, Regular Session, 2021. Without this supplemental funding, 2022–23 biennial appropriations constitute an increase of \$26.0 million in nonformula support funding from the 2020–21 GAA. An institution is not required to spend the amount identified in a nonformula support item budget strategy for that project unless a rider specifies that funds must be spent for that purpose. Although most nonformula items are funded

**FIGURE 8**  
**TEXAS PUBLIC HIGHER EDUCATION SMALL INSTITUTION SUPPLEMENT RECIPIENTS, 2022–23 BIENNIUM**

INSTITUTION	HEADCOUNT	SUPPLEMENT	INSTITUTION	HEADCOUNT	SUPPLEMENT
University of Texas of the Permian Basin	5,530	\$2,354,021	University of North Texas at Dallas	4,164	\$2,633,133
University of Texas at Tyler	9,408	\$311,763	Texas Southern University	7,015	\$1,571,980
Texas A&M University at Galveston	1,653	\$2,633,133	Sul Ross State University	1,557	\$2,633,133
Prairie View A&M University	9,248	\$396,023	Sul Ross State University, Rio Grande College	916	\$2,633,133
Texas A&M University – Central Texas	2,339	\$2,633,133	Texas State Technical College – Harlingen	4,864	\$1,316,566
Texas A&M University – Kingsville	6,915	\$1,624,643	Texas State Technical College – West Texas	2,390	\$1,316,566
Texas A&M University – San Antonio	6,741	\$1,716,276	Texas State Technical College – Waco	4,393	\$1,316,566
Texas A&M International University	8,270	\$911,064	Texas State Technical College – Marshall	925	\$1,316,566
Texas A&M University – Texarkana	2,161	\$2,633,133	Lamar Institute of Technology	4,402	\$2,633,133
University of Houston – Clear Lake	9,053	\$498,715	Lamar State College, Orange	2,382	\$2,633,133
University of Houston – Victoria	4,931	\$2,633,133	Lamar State College, Port Arthur	2,566	\$2,633,133
Midwestern State University	5,387	\$2,429,329			

NOTE: Enrollment based on certified fall 2020 headcount.

SOURCES: Legislative Budget Board; Texas Higher Education Coordinating Board.

through General Revenue Funds, some programs receive appropriations from General Revenue–Dedicated accounts or Other Funds.

The majority of nonformula support item funding is provided through an institution’s budget strategy for Institutional Enhancement, which is a direct appropriation to institutions established by the Seventy-sixth Legislature, 1999, for the 2000–01 biennium. The first Institutional Enhancement appropriation was based on a consolidation of certain special item appropriations in 1999, and an additional \$1.0 million per fiscal year was appropriated for each institution.

Other nonformula support items include institutional and instructional support, public service items, research items other than general research support, funding for separate campuses, and accreditation program items.

### **INSURANCE**

Several institutions receive appropriations from General Revenue Funds for workers’ compensation insurance and unemployment compensation insurance. Institutions receive General Revenue–Dedicated Funds, Other E&G Income, in staff group insurance amounts for staff whose salaries are not

paid with appropriations from General Revenue Funds. See the **Benefits** section for more information.

### **RESEARCH FUNDS**

General academic institutions receive support from the following research funds: the Texas Research University Fund, the Core Research Support Fund, the Comprehensive Research Fund, the Texas Research Incentive Program, and the National Research University Fund. General academic institutions also receive capital funding from two constitutional funds: the Available University Fund and the Higher Education Fund. See the **Constitutional and Statutory Funds** section for more information.

In addition to the constitutional funds, two types of state appropriations assist institutions in capital-related pursuits: Capital Construction Assistance Projects revenue bonds, formerly referred to as tuition revenue bonds, and lease payments. Almost all direct appropriations to institutions related to capital funds are for debt service on Capital Construction Assistance Projects bonds. See the **Capital Construction Assistance Projects Bonds Debt Service** section for more information.

General academic institutions also receive appropriations to help institutions cover the cost of the following benefits: health insurance premiums for institution employees whose salaries are paid from the General Revenue Fund, Social Security benefits, and retirement contributions. See the **Benefits** section for more information.

#### **TEXAS PUBLIC EDUCATION GRANTS**

Pursuant to the Texas Education Code, Chapter 56, Subchapter C, and the Texas Education Code, Section 54.051, institutions must set aside a portion of tuition revenue for Texas Public Education Grants (TPEG). Fifteen percent of each resident student's tuition and 3.0 percent of each nonresident student's tuition are set aside for financial aid to students at the institution. The Texas Education Code, Section 56.033, provides guidelines regarding the allocation of TPEG revenue. The GAA includes an estimate of the amount of TPEG revenue each institution will generate. This estimated appropriation is considered General Revenue–Dedicated Funds, Other E&G Income.

#### **ORGANIZED ACTIVITIES**

Organized Activities are activities or enterprises connected with instructional departments whose primary function is training for students. Examples include a university farm, nursery or preschool programs, an optometry clinic, and lifeguard training. Revenue from Organized Activities is classified as General Revenue–Dedicated Funds, Other E&G Income.



# FUNDING HEALTH-RELATED INSTITUTIONS

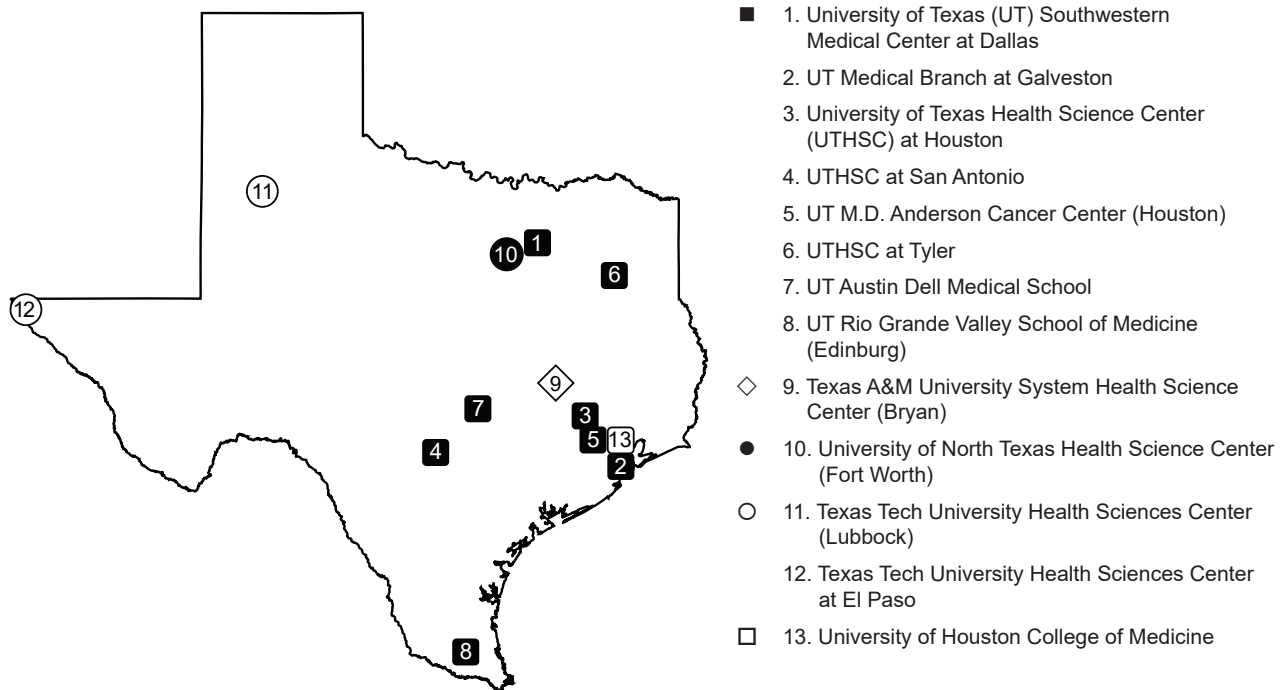
Texas provides funding to 13 health-related institutions (HRI) that operate within five university systems. Funding also is provided in the General Appropriations Act (GAA) to Baylor College of Medicine through the Texas Higher Education Coordinating Board (THECB) bill pattern and to the Sam Houston State University College of Osteopathic Medicine through the Sam Houston State University bill pattern. HRIs are located across the state, operating 15 state medical schools, four dental schools, three pharmacy schools, and multiple allied health and nursing units. **Figure 9** shows the locations of the HRIs for each of the five university health science systems, and **Figure 10** shows the regional campuses for each system.

Appropriations for HRIs are similar in structure to the appropriations for general academic institutions. Formula and nonformula funding appropriations are made directly to

the institutions. Certain appropriations that benefit the institutions are not included in their bill patterns, such as funding from the Available University Fund, funding from the Higher Education Fund, certain staff benefits, and funds trusted at THECB. Included in the direct appropriations to the University of Texas (UT) at Austin as a general academic institution is funding appropriated for the Dell Medical School. **Figure 11** shows the fall 2021 enrollment for each of the 13 public HRIs that receive formula funding.

Similarly to other institutions of higher education, HRIs receive lump-sum appropriations, and funding strategies are presented for informational purposes in the GAA. The funding strategies in an HRI's bill pattern represent how state funds are allocated but not how they must be spent. In addition, certain methods of finance within the appropriation are estimated.

**FIGURE 9**  
**TEXAS PUBLIC HEALTH-RELATED INSTITUTIONS, OCTOBER 2021**



NOTE: Locations show the main campus for each health-related institution and do not include any regional campuses operated by the institutions.

SOURCE: Legislative Budget Board.

**FIGURE 10  
TEXAS PUBLIC HEALTH-RELATED INSTITUTIONS' REGIONAL CAMPUSES, 2022–23 BIENNIUM**

INSTITUTION	CAMPUSES
University of Texas (UT) Health Science Center at Houston	<ul style="list-style-type: none"> <li>School of Biomedical Informatics – UT Education and Research Center - Laredo;</li> <li>School of Public Health – Regional Academic Health Center - Brownsville</li> <li>School of Public Health – Austin;</li> <li>School of Public Health - Dallas;</li> <li>School of Public Health – El Paso; and</li> <li>School of Public Health – San Antonio</li> </ul>
University of Texas Health Science Center at San Antonio	<ul style="list-style-type: none"> <li>School of Dentistry – UT Education and Research Center – Laredo;</li> <li>School of Nursing – UT Education and Research Center – Laredo; and</li> <li>School of Health Professions – UT Education and Research Center - Laredo</li> </ul>
University of Texas Medical Branch at Galveston	<ul style="list-style-type: none"> <li>Austin Regional Campus</li> </ul>
Texas A&M University System Health Science Center	<ul style="list-style-type: none"> <li>School of Medicine, School of Public Health, School of Nursing, School of Pharmacy – Bryan/College Station;</li> <li>School of Dentistry, School of Dental Hygiene, School of Medicine – Dallas;</li> <li>Institute of Biosciences and Technology, EnMed, School of Medicine – Houston;</li> <li>Coastal Bend Health Education Center – Corpus Christi;</li> <li>Irma Lerma Rangel School of Pharmacy – Kingsville;</li> <li>South Texas Center, Higher Education Center, School of Public Health, School of Nursing, Healthy South Texas – McAllen;</li> <li>School of Medicine– Temple; and</li> <li>School of Medicine, School of Nursing – Round Rock</li> </ul>
Texas Tech University Health Sciences Center	<ul style="list-style-type: none"> <li>School of Medicine, School of Allied Health Sciences, School of Nursing, School of Pharmacy, Graduate School of Biomedical Sciences – Lubbock;</li> <li>School of Medicine, School of Allied Health Sciences, School of Pharmacy, Graduate School of Biomedical Sciences, School of Nursing – Amarillo;</li> <li>School of Medicine, School of Allied Health Sciences, School of Nursing – Odessa;</li> <li>School of Medicine, School of Allied Health Sciences – Midland;</li> <li>School of Pharmacy, School of Nursing – Dallas; and</li> <li>School of Nursing, School of Pharmacy, Graduate School of Biomedical Sciences, School of Population and Public Health – Abilene</li> </ul>
Texas Tech University Health Sciences Center at El Paso	<ul style="list-style-type: none"> <li>Paul L. Foster School of Medicine, Gayle Greve Hunt School of Nursing, Woody L. Hunt School of Dental Medicine, L. Frederick Francis Graduate School of Biomedical Sciences – El Paso</li> </ul>

SOURCES: University of Texas System; Texas A&M University System; Texas Tech University System.

**FIGURE 11  
TEXAS PUBLIC HEALTH-RELATED INSTITUTIONS ENROLLMENT, FALL 2021**

INSTITUTION	ENROLLMENT	INSTITUTION	ENROLLMENT
University of Texas Southwestern Medical Center	2,318	University of North Texas Health Science Center	2,458
University of Texas Medical Branch at Galveston	3,470	Texas Tech University Health Sciences Center	5,423
University of Texas Health Science Center at Houston	5,759	Texas Tech University Health Sciences Center at El Paso	786
University of Texas Health Science Center at San Antonio	3,478	University of Texas Rio Grande Valley School of Medicine	222
University of Texas M.D. Anderson Cancer Center	358	University of Texas at Austin Dell Medical School	197
University of Texas Health Science Center at Tyler	115	University of Houston College of Medicine	60
Texas A&M University System Health Science Center	4,023	<b>Statewide Totals</b>	<b>28,667</b>

NOTE: Enrollment based on preliminary fall 2021 headcount.  
SOURCE: Texas Higher Education Coordinating Board.

**Figure 12** shows the methods of finance for \$3,446.0 million in appropriations for HRIs in the 2022–23 biennium, excluding appropriations for employee benefits. General Revenue Funds and General Revenue–Dedicated Funds constitute 96.8 percent of appropriations for HRIs. General Revenue–Dedicated Funds include income from tuition and student fees. The appropriations also include \$108.8 million in Other Funds. Patient income, which is revenue that an institution generates through the operation of a hospital, clinic, or dental clinic (inpatient and outpatient charges), is not appropriated to the HRIs but is shown in informational riders in the GAA for the institutions that receive this funding.

**FORMULA FUNDING**

The three primary funding formulas for HRIs are Instruction and Operations (I&O) Support, Infrastructure Support, and Research Enhancement. Each HRI also receives formula funding for graduate medical education (GME).

General Revenue Funds and certain General Revenue–Dedicated Funds (Other Educational and General Funds) support the formulas. As with general academic institutions, certain tuition revenue is used in the calculation of the I&O Support and Infrastructure Support formulas. Of the \$1,761.1 million that is allocated by the HRIs’ primary formulas, 90.2 percent is from General Revenue Funds, and the remaining 9.8 percent is from General Revenue–Dedicated Funds, which includes statutory tuition and fees and board-authorized tuition revenue.

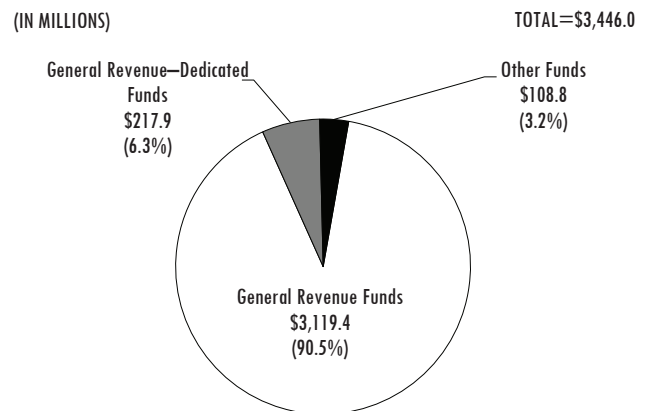
Some tuition and fee income is set aside for specific purposes and is unavailable for formula funding. For example, HRIs set aside a portion of their tuition to provide Texas Public Education Grants (TPEG).

**INSTRUCTION AND OPERATIONS FORMULA**

The I&O Support formula represents 77.1 percent of the primary formula funds for public HRIs and provides \$1,358.3 million in appropriations for the 2022–23 biennium. Baylor College of Medicine receives an additional \$79.4 million of I&O Support appropriated through THECB. I&O Support funds items such as faculty salaries, departmental operating expenses, instructional administration, and libraries, and it is allocated per full-time-student equivalent (FTSE) with a funding weight predicated on the student’s instructional program. This formula applies to 13 operational HRIs.

**Figure 13** shows the I&O Support formula allocation among the HRIs that received such funding during the 2022–23 biennium.

**FIGURE 12  
METHODS OF FINANCE FOR TEXAS PUBLIC HEALTH-RELATED INSTITUTIONS, 2022–23 BIENNIUM**



NOTE: General Revenue–Dedicated Funds include statutory tuition and fees.  
SOURCE: Legislative Budget Board.

The following formula calculates I&O Support:

$$[FTSE \times Program Weight \times Rate (\$9,622)] + Small Campus Supplement$$

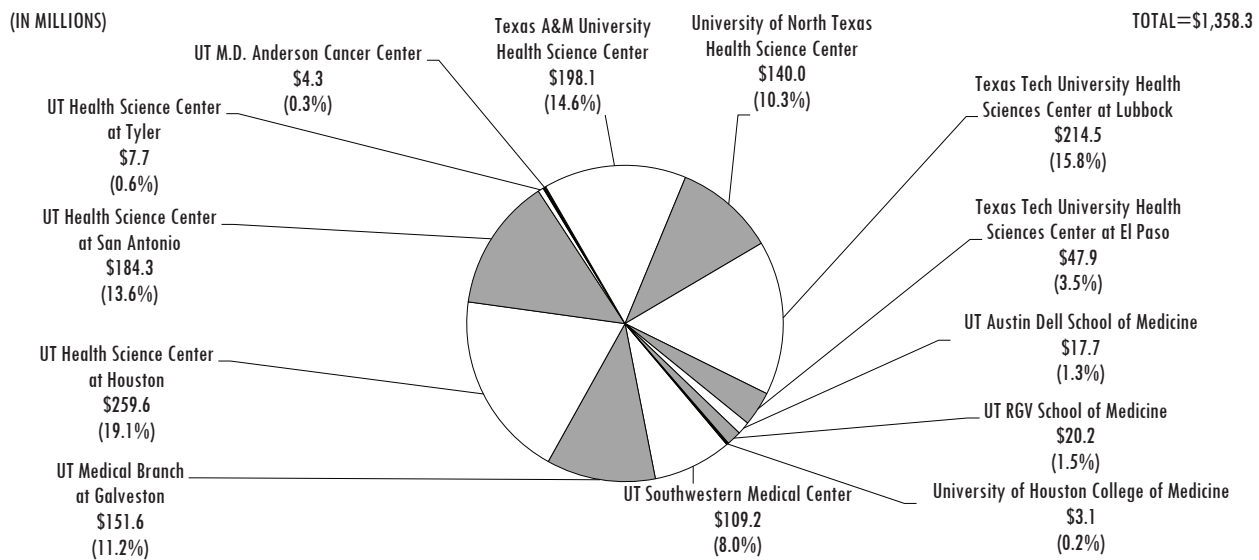
FTSE is weighted by discipline. For example, medicine (4.753) is weighted more than pharmacy (1.670), with allied health assigned a base weight of 1.000.

The Eighty-seventh Legislature, GAA, 2022–23 Biennium, Article III, Special Provisions, Section 27, set the weights and the rate at \$9,622 for the biennium. The rate is calculated based on the available revenue for the formula and the number of FTSEs.

In addition, instructional programs with enrollments of fewer than 200 students at remote individual campuses receive a Small Campus Supplement, which is additional funding to compensate for diseconomies of scale. The additional funding per student is distributed on a sliding scale, with smaller programs receiving more. The following institutions received the supplement for the 2022–23 biennium:

- UT Health Science Center at Houston;
- UT Health Science Center at San Antonio;
- UT Health Science Center at Tyler;
- Texas A&M University Health Science Center; and
- Texas Tech University Health Sciences Center.

**FIGURE 13**  
**DISTRIBUTION OF INSTRUCTION AND OPERATIONS SUPPORT FORMULA TO TEXAS PUBLIC HEALTH-RELATED INSTITUTIONS**  
**2022–23 BIENNIUM**



NOTE: UT=University of Texas System; UT RGV=University of Texas Rio Grande Valley.  
 SOURCE: Legislative Budget Board.

**INFRASTRUCTURE SUPPORT FORMULA**

The Infrastructure Support formula is 17.4 percent of the HRIs’ primary formula funding, which totals \$306.2 million for the 2022–23 biennium and is intended for utilities and physical plant support. This formula calculation is similar to the calculation for general academic institutions and distributes funding based on each institution’s predicted square feet during the base year multiplied by the Infrastructure Support rate, which the Eighty-seventh Legislature, Regular Session, 2021, set at \$6.14 for the 2022–23 biennium.

THECB’s space projection model predicts square footage for each institution based on the following criteria:

- number and level of FTSEs;
- number of faculty;
- number of programs and campuses;
- actual clinical space; and
- research and current educational and general expenditures.

The following formula calculates Infrastructure Support:

$$\text{Rate } (\$6.14 \text{ for HRIs}) \times \text{Predicted Square Feet}$$

The space projection model does not account for hospital space. Separate infrastructure funding for hospital space is included in the mission-specific formulas allocated to UT Medical Branch at Galveston, UT M.D. Anderson Cancer Center, and UT Health Science Center at Tyler.

Figure 14 shows the Infrastructure Support formula allocation to 13 institutions that received infrastructure funding for the 2022–23 biennium.

**RESEARCH ENHANCEMENT FORMULA**

HRIs generate state appropriations to support research through the Research Enhancement formula. The Research Enhancement formula is funded entirely from General Revenue Funds and accounts for 6.1 percent of the primary formula funds, which total \$96.5 million for the 2022–23 biennium.

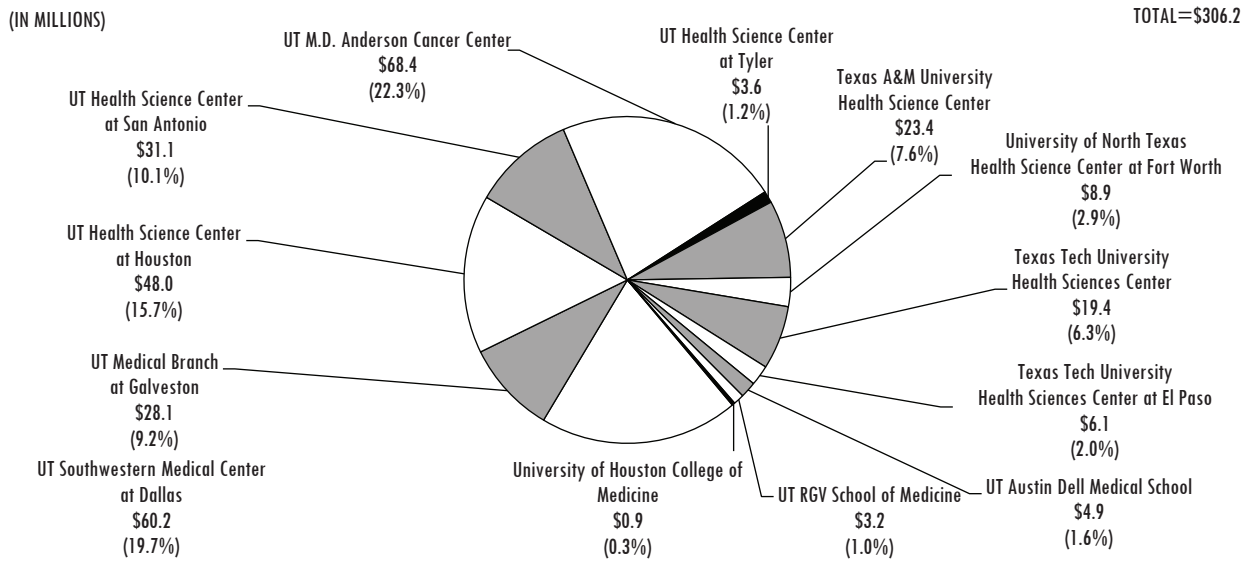
The allocation is based on the amount of research generated by each institution.

$$\$1,412,500 + (1.17\% \times \text{Research Expenditures})$$

*This amount provides a base for all institutions, regardless of research volume*

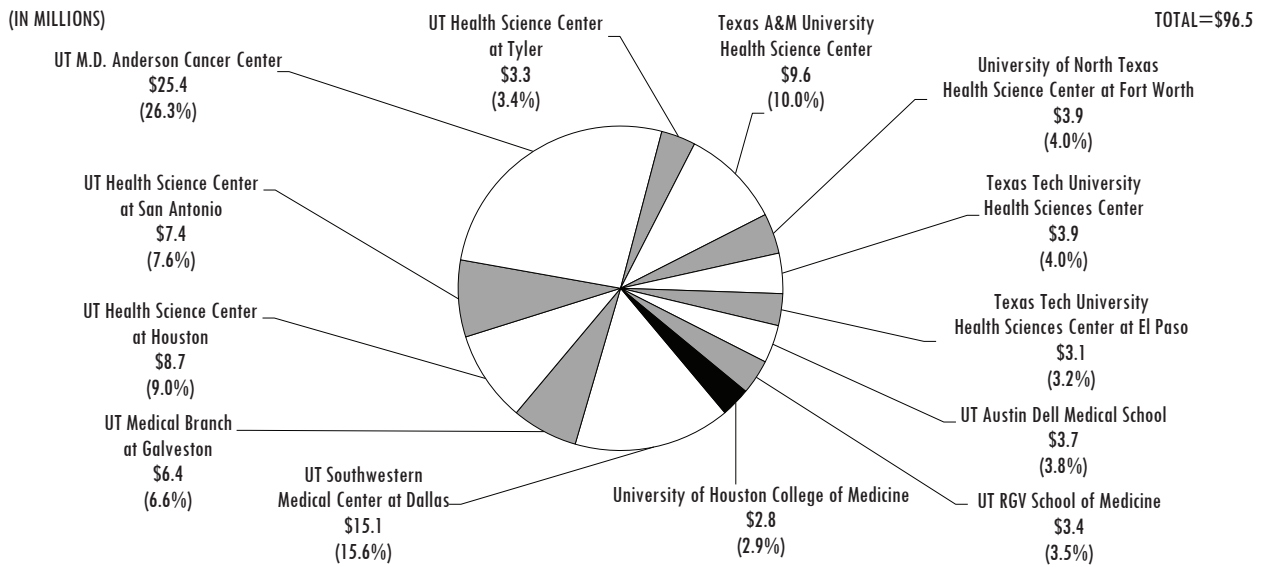
*Institutions report current research expenditures to THECB*

**FIGURE 14**  
**DISTRIBUTION OF INFRASTRUCTURE SUPPORT FORMULA TO TEXAS PUBLIC HEALTH-RELATED INSTITUTIONS**  
**2022–23 BIENNIUM**



NOTE: UT=University of Texas System; UT RGV=University of Texas Rio Grande Valley.  
 SOURCE: Legislative Budget Board.

**FIGURE 15**  
**DISTRIBUTION OF RESEARCH ENHANCEMENT FORMULA TO TEXAS HEALTH-RELATED INSTITUTIONS, 2022–23 BIENNIUM**



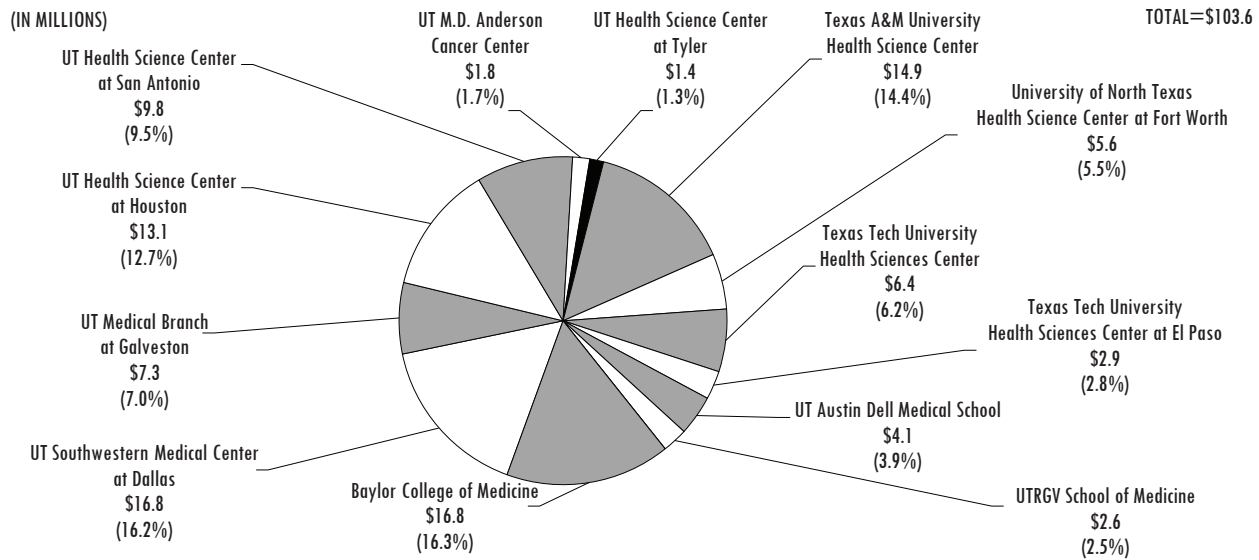
NOTE: UT=University of Texas System; UT RGV=University of Texas Rio Grande Valley.  
 SOURCE: Legislative Budget Board.

Figure 15 shows the Research Enhancement formula allocation to 13 HRIs that receive this funding for the 2022–23 biennium.

**GRADUATE MEDICAL EDUCATION FORMULA**

The Seventy-ninth Legislature, Regular Session, 2005, established a formula for funding GME during the 2006–07

**FIGURE 16**  
**DISTRIBUTION OF GRADUATE MEDICAL EDUCATION FORMULA TO TEXAS HEALTH-RELATED INSTITUTIONS**  
**2022–23 BIENNIUM**



NOTE: UT=University of Texas System; UT RGV=University of Texas Rio Grande Valley.  
 SOURCE: Legislative Budget Board.

biennium. For the 2022–23 biennium, GME formula funding totals \$103.6 million in General Revenue Funds, including \$16.8 million that is appropriated to Baylor College of Medicine through THECB, and provides \$5,970 per medical resident each year.

The following formula calculates GME funding:

$$\text{Rate } (\$5,970) \times \text{Number of Medical Residents}$$

In addition to the GME formula funding, the Eighty-seventh Legislature, Regular Session, 2021, appropriated to THECB \$199.1 million in All Funds for the GME Expansion program, an increase of \$41.9 million from the 2020–21 biennium. The GME Expansion program supports onetime GME planning and partnership grants, funding to enable new or existing GME programs to increase the number of first-year residency positions, funding for unfilled residency positions, and continuation awards for programs that received grant awards during fiscal year 2015. THECB also was appropriated \$9.5 million for the Family Practice Residency Program for the 2022–23 biennium, a decrease of \$0.5 million. THECB allocates the funds based on the certified number of residents training in each approved family practice residency program.

Figure 16 shows the GME formula allocation to 13 HRIs and Baylor College of Medicine.

**MISSION-SPECIFIC SUPPORT FUNDING**

In addition to Formula Funding that supports all public HRIs, several mission-specific support formulas provide appropriations for individual institutions based on their institutional focus. UT M.D. Anderson Cancer Center, UT Health Science Center at Tyler, UT Medical Branch at Galveston, and Texas Tech University Health Sciences Center at El Paso receive mission-specific formula funding to support their unique hospital and clinical operations. UT Southwestern Medical Center, UT Health Science Center at Houston, UT Health Science Center at San Antonio, Texas A&M University Health Science Center, University of North Texas Health Science Center at Fort Worth, and Texas Tech University Health Sciences Center receive performance-based, mission-specific formula funding to support enhanced research operations.

For the 2022–23 biennium, the Legislature appropriated \$891.4 million in All Funds for these 10 mission-specific formulas, which includes \$890.5 million in General Revenue Funds and \$0.9 million in Other Funds.

**CHEST DISEASE CENTER OPERATIONS FORMULA**

The Chest Disease Center Operations formula, implemented during the 2010–11 biennium, applies only to UT Health Science Center at Tyler. The institution has a statutory mission to conduct research, develop diagnostic and treatment techniques, provide training and teaching programs, and diagnose and treat inpatients and outpatients with respiratory diseases. The formula is based on the number of primary chest disease patients the institution served. The formula growth in funding may not exceed the average growth in funding for HRIs in the I&O Support formula for the current biennium. For the 2022–23 biennium, the Legislature appropriated \$62.2 million in General Revenue Funds for the Chest Disease Center Operations formula, which is calculated as follows:

$$\begin{aligned} & \text{Rate } (\$166) \\ & \times \text{Number of Primary Chest Disease Cases} \end{aligned}$$

**CANCER CENTER OPERATIONS FORMULA**

The Eightieth Legislature, GAA, 2008–09 Biennium, established an operations formula for funding UT M.D. Anderson Cancer Center, which has a statutory mission to eliminate cancer through patient care, research, education, and prevention. This Cancer Center Operations formula funding is based on the total number of Texas cancer patients the institution served. The formula growth in funding may not exceed the average growth in funding for HRIs in the I&O Support formula for the current biennium. For the 2022–23 biennium, the Legislature appropriated \$280.8 million in General Revenue Funds for the Cancer Center Operations formula, which is calculated as follows:

$$\begin{aligned} & \text{Rate } (\$1,657) \\ & \times \text{Number of Texas Cancer Patients Served} \end{aligned}$$

**HEALTH SYSTEM OPERATIONS FORMULA**

The Eighty-sixth Legislature, GAA, 2020–21 Biennium, established an operations formula for funding UT Medical Branch at Galveston to support hospital operations for the Galveston and League City campuses. This Hospital System Operations formula funding is based on the total number of patient visits, including inpatient, outpatient, and telemedicine visits. The formula growth in funding may not exceed the average growth in funding for HRIs in the I&O Support formula for the current biennium. For the 2022–23 biennium, the Legislature appropriated \$305.9 million in General Revenue Funds and \$0.9 million in Other Funds for

the Health System Operations formula, which is calculated as follows:

$$\begin{aligned} & \text{Rate } (\$178) \\ & \times \text{Number of Patient Visits} \end{aligned}$$

**BORDER HEALTH OPERATIONS FORMULA**

The Eighty-seventh Legislature, GAA, 2022–23 Biennium, established an operations formula for funding Texas Tech University Health Sciences Center at El Paso to support border health operations. This Border Health Operations formula funding is based on the total number of patients that visit the university's clinics for family care and other specialty care. The formula growth in funding may not exceed the average growth in funding for HRIs in the I&O Support formula for the current biennium. For the 2022–23 biennium, the Legislature appropriated \$264.8 million in General Revenue Funds for the Border Health Operations formula, which is calculated as follows:

$$\begin{aligned} & \text{Rate } (\$23) \\ & \times \text{Number of Patient Visits} \end{aligned}$$

**PERFORMANCE-BASED  
RESEARCH OPERATIONS FORMULAS**

The 2020–21 GAA established three Performance Based Research Operations formulas for funding UT Southwestern Medical Center, UT Health Science Center at Houston, and UT Health Science Center at San Antonio. The formulas support enhanced research capacity at the institutions, assist each institution in leveraging external research grants and gifts, and support the expansion of the institutions' research operations. The Eighty-seventh Legislature, Regular Session, 2021, expanded these formulas to include Texas A&M University Health Science Center, University of North Texas Health Science Center at Fort Worth, and Texas Tech University Health Sciences Center for the same purpose. Each institution's formula is similar in structure, but each formula distributes funds based on different rates and drivers. Funding is allocated to each formula through two mechanisms. The first mechanism is a base match set at a specified rate of certain research expenditures during the three-year base period preceding the biennium. The second mechanism is a tiered match, which provides funding in three tiers that increase on a sliding scale based on the increase in average annual research expenditures of the same type. All six Performance Based Research Operations formula increases are limited to 5.0 percent of the institution's total General Revenue Funds appropriations during the previous

biennium, excluding Capital Construction Assistance Project bond debt service.

The Performance Based Research Operations formulas for UT Southwestern Medical Center, UT Health Science Center at Houston, and UT Health Science Center at San Antonio provide a dynamic base match rate that is adjusted each biennium in proportion to the increase or decrease of average annual research expenditures from the previous biennium's three-year base average. Although the base match rates changed for the purposes of determining the formulas, the Legislature maintained 2020–21 biennial appropriations from General Revenue Funds for these three formulas for the 2022–23 biennium. The base match rates for the three Performance Based Research Operations formulas established in 2021 for Texas A&M University System Health Sciences Center, University of North Texas Health Science Center at Fort Worth, and Texas Tech University Health Sciences Center are determined based on available General Revenue Funds and do not use the dynamic base match calculation.

The six HRIs receive Performance Based Research Operations formula appropriations for the 2022–23 biennium as follows:

- UT Southwestern Medical Center – \$114.8 million in General Revenue Funds with a base match rate of 12.63 percent of total research expenditures, excluding state appropriations;
- UT Health Science Center at Houston – \$25.5 million in General Revenue Funds with a base match rate of 6.17 percent of total research expenditures, excluding state appropriations;
- UT Health Science Center at San Antonio – \$25.4 million in General Revenue Funds with a base match rate of 8.23 percent of total research expenditures, excluding state appropriations;
- Texas A&M University System Health Science Center – \$24.5 million in General Revenue Funds with a base match rate of 5.18 percent of total research expenditures, excluding state appropriations and amounts associated with the Biomedical Advanced Research and Development Authority. The funding appropriated to establish this formula was reallocated from nonformula support items funded during the 2020–21 biennium;
- University of North Texas Health Science Center at Fort Worth – \$20.7 million in General Revenue Funds with a base match rate of 28.58 percent of total

research expenditures, excluding state appropriations. The funding appropriated to establish this formula was reallocated from nonformula support items funded during the 2020–21 biennium; and

- Texas Tech University Health Sciences Center – \$3.2 million in General Revenue Funds with a base match rate of 5.39 percent of total research expenditures from federal and private sources. The funding appropriated to establish this formula was reallocated from nonformula support items funded during the 2020–21 biennium.

## NONFORMULA FUNDING

State appropriations for public HRIs that are allocated without following the previously described formulas and supplements are called nonformula funding.

### NONFORMULA SUPPORT ITEMS

Nonformula Support items are activities that are not funded through the formulas and typically represent an institution's special needs or areas of expertise. The \$265.0 million in General Revenue Funds appropriated to HRIs for the 2022–23 biennium funds items such as academic outreach programs, public service items, and research items other than general research support. Institutions propose nonformula support items and request an appropriation amount for each individually.

Institutional Enhancement is an appropriation from General Revenue Funds that began during the 2000–01 biennium to help institutions with smaller campuses address their unique needs and diseconomies of scale. The total Institutional Enhancement appropriation for HRIs during the 2022–23 biennium is \$39.5 million in General Revenue Funds.

### CONSTITUTIONAL FUNDS

HRIs are eligible for funding from the Available University Fund (AUF) and the Higher Education Fund (HEF). AUF distributions are used to provide support and maintenance at UT at Austin, including Dell Medical School, and Texas A&M University System Health Science Center. AUF distributions also can be used to pay interest and principal due on bonds backed by the Permanent University Fund (PUF) at the following institutions: UT Southwestern Medical Center, UT Medical Branch at Galveston, UT Health Science Center at Houston, UT Health Science Center at San Antonio, UT M.D. Anderson Cancer Center, UT Health Science Center at Tyler, and UT Rio Grande Valley School of Medicine.



HEF distributions for the 2022–23 biennium totaled \$84.7 million in General Revenue Funds and were distributed to the University of North Texas Health Science Center, Texas Tech University Health Sciences Center, and Texas Tech University Health Sciences Center at El Paso. Additionally, University of Houston College of Medicine and Sam Houston State College of Osteopathic Medicine may receive funding from the \$145.5 million HEF distributions allocated to their general academic institutions. The amounts of HEF distributions to institutions are set in statute and are limited to supporting certain capital purposes, including acquiring land; constructing, equipping, and repairing buildings; and acquiring capital equipment, library books, and library materials. (See **Appendix D – Constitutional and Research Funds**.) Because these funds are not appropriated directly to institutions in the GAA, they do not appear in a strategy within an institution’s bill pattern.

#### **CAPITAL FUNDS**

Similarly to funding for general academic institutions, Capital Construction Assistance Project bonds are used to fund capital projects at HRIs. The 2022–23 GAA provides \$273.2 million in General Revenue Funds for Capital Construction Assistance Project bond debt service for the biennium, and provides \$7.2 million in General Revenue Funds each fiscal year to Texas A&M University Health Science Center for debt service on its Round Rock facility. The latter appropriation began during the 2010–11 biennium.

#### **EMPLOYEE BENEFITS**

HRIs, like general academic institutions, benefit from state appropriations related to employee benefits. Indirect appropriations include Higher Education Employees Group Insurance (HEGI), retirement contributions, and Social Security benefits. Direct appropriations include staff group insurance, workers’ compensation, and unemployment compensation strategies. (See the **Higher Education Benefits** section.) HEGI appropriations for the 12 free-standing HRIs total \$323.1 million in General Revenue Funds for the 2022–23 biennium. HEGI appropriations for UT at Austin Dell Medical School are included in the appropriations for the general academic institution.

#### **TEXAS PUBLIC EDUCATION GRANTS**

The Texas Education Code, Section 56.033, requires HRIs and general academic institutions to set aside a portion of tuition revenue to fund TPEGs. The estimated TPEG

appropriation is \$21.4 million for the 2022–23 biennium. This revenue is considered Other Educational and General Funds, which are General Revenue–Dedicated Funds.

#### **TOBACCO SETTLEMENT**

The Seventy-sixth Legislature, 1999, established the following funds and endowments from the state’s settlement with tobacco companies: the Permanent Health Fund for health-related institutions of higher education the Permanent Fund for Minority Health Research and Education; the Permanent Fund for Higher Education Nursing, Allied Health, and Other Health-Related Programs; and 13 permanent endowments for individual institutions of higher education. The Legislature appropriated to the HRIs the \$106.8 million in estimated interest earnings from the endowments for the 2022–23 biennium, based on estimated interest earnings of 6.0 percent each year.

#### **PATIENT-CARE ACTIVITIES**

Some institutions conduct patient-care activities, typically medical or dental services. For the 2022–23 biennium, institutions received an estimated \$10,427.9 million in patient income. Before the 2014–15 biennium, the hospital and clinic revenues earned through patient-care activities were appropriated to the institutions and considered Other Funds. Patient income no longer is appropriated to these institutions in the GAA, but they continue to receive this revenue.

#### **BAYLOR COLLEGE OF MEDICINE**

The Sixty-first Legislature, Regular Session, 1969, authorized THECB to contract with Baylor College of Medicine, a private institution, for the education of undergraduate medical students who are Texas residents. The amount that Baylor College of Medicine receives in state appropriations trustee to THECB is, by statute, based on the average annual state tax support per undergraduate medical student at UT Medical Branch at Galveston and UT Southwestern Medical Center. The Eighty-seventh Legislature, Regular Session, 2021, appropriated Baylor College of Medicine \$79.4 million in General Revenue Funds for undergraduate medical education and \$16.8 million in General Revenue Funds from the HRIs’ GME formula for the 2022–23 biennium.



# FUNDING TWO-YEAR PUBLIC INSTITUTIONS

Texas’ public two-year institutions include 50 community and junior college districts, six Texas State Technical College (TSTC) campuses, and three Lamar State Colleges. The Legislature appropriated \$1,880.5 million in All Funds to the community and junior colleges, \$208.2 million in All Funds to the Texas State Technical Colleges, and \$109.0 million in All Funds to the Lamar State Colleges for the 2022–23 biennium. Fall 2021 enrollment at these institutions totaled 666,848. Community colleges contributed 96.1 percent of this enrollment total, and the Texas State Technical and Lamar State Colleges constituted the remaining portion. **Figure 17** shows the funding mechanisms for these institutions.

## PUBLIC COMMUNITY COLLEGES

The Texas Education Code, Section 130.003(a), directs state appropriations to public community colleges to supplement local funds for “support, maintenance, operation, and improvement.” Section 130.003(c) directs that state funds must be used for paying instructional and administrative salaries and purchasing instructional supplies and materials.

Consistent with statute, community colleges are funded primarily through three formulas: core operations, a Student Success Points outcomes-based model, and contact hours. Unlike the general academic institutions, community college funding does not include tuition and fee revenue as a method of finance.

**FIGURE 17**  
**TEXAS PUBLIC TWO-YEAR INSTITUTION FUNDING MECHANISMS, 2022–23 BIENNIUM**

COMMUNITY COLLEGES	TEXAS STATE TECHNICAL COLLEGES AND LAMAR STATE COLLEGES
<b>Instruction and Administration</b>	
Tuition and fee revenues and local tax revenues augment state General Revenue Funds for these costs.	General Revenue Funds are based on formulas for two-year institutions allocated by either contact hours or returned value to the state. Tuition and fee revenues augment General Revenue Funds for these costs.
The majority of General Revenue Funds are allocated by a formula that includes three components:	
<ul style="list-style-type: none"> <li>• core operations—each community college district receives \$1.4 million for the biennium;</li> <li>• student success points (1) — 17.9 percent of the remaining formula funding is allocated through an outcomes-based model that is based on a three-year average of student completions within the model’s metrics; and</li> <li>• contact-hour funding (2) — 82.1 percent of the remaining formula funding is allocated based on contact hours.</li> </ul>	
<b>Developmental Education Courses</b>	
Approximately 3.1 percent of the total contact hours funded by General Revenue Funds are developmental education courses.	Of the total contact hours funded by General Revenue Funds, approximately 4.4 percent at the Lamar State Colleges and 4.8 percent at Texas State Technical Colleges (TSTC) are developmental education courses.
<b>Physical Plant</b>	
The state provides no funding for physical plant operations and maintenance. Local taxing districts are expected to provide support for physical plant needs.	State funding is based on the formula for general academic institutions. The Lamar State Colleges receive approximately \$14.1 million, and TSTC receive \$22.9 million in General Revenue Funds for physical plant and utilities for the 2022–23 biennium.
<b>Facilities</b>	
Local communities must provide facilities. Community colleges are not eligible to receive Higher Education Fund (HEF) allocations, Available University Fund allocations, or state Capital Construction Assistance Projects revenue bonds.	The Lamar State Colleges receive approximately \$6.3 million annually from HEF funds, and TSTC receives approximately \$8.7 million annually. HEF monies are used to acquire land, construct and equip buildings, provide major building repair or rehabilitation, and acquire capital equipment and library materials.

**FIGURE 17 (CONTINUED)**  
**TEXAS PUBLIC TWO-YEAR INSTITUTION FUNDING MECHANISMS, 2022–23 BIENNIUM**

COMMUNITY COLLEGES	TEXAS STATE TECHNICAL COLLEGES AND LAMAR STATE COLLEGES
<p><b>Employee Benefits</b></p> <p>Community college employees are employed locally; however, community colleges participate in the Employees Retirement System of Texas (ERS) Group Benefits Program for health benefits and the Teacher Retirement System of Texas (TRS) and Optional Retirement Program (ORP) for retirement benefits. The state makes General Revenue Funds contributions for health and retirement benefits.</p>	<p>The Lamar State Colleges and TSTC institutions both participate in ERS' Group Benefits Program for health benefits and the TRS and ORP programs for retirement benefits. The state makes General Revenue Funds contributions for the health and retirement benefits of employees whose salaries are paid with General Revenue Funds.</p>
<p><b>Tuition and Fee Revenues</b></p> <p>Tuition and fee revenues are considered institutional funds and are not appropriated by the state. Tuition rates vary by institution. For fiscal year 2022, the statewide tuition and fees for in-district residents, out-of-district residents, and nonresidents averaged \$157 per semester credit hour but ranged from \$99 to \$265 per semester credit hour.</p>	<p>Certain tuition revenue is appropriated by the state. For fiscal year 2020, resident students' average tuition in addition to fees was \$142 per semester credit hour at the Lamar State Colleges and \$211 per semester credit hour at TSTCs.</p>
<p><b>Local Tax Revenue</b></p> <p>Community colleges received approximately \$2.5 billion in tax income for fiscal year 2020. Local tax revenues are expected to provide support for physical plant support and augment appropriations from General Revenue Funds for Instruction and Administration costs.</p>	<p>Not eligible for local tax revenues.</p>
<p>NOTES:                      (1) Student success points measure student completion of 11 metrics, calculated by the Texas Higher Education Coordinating Board.                      (2) A student contact hour measures an hour of scheduled academic and technical instruction provided to students during a semester.                      SOURCES: Legislative Budget Board; Texas Higher Education Coordinating Board; Texas Association of Community Colleges.</p>	

No state funding is provided for physical plant operations and maintenance or for facilities, whose funding is supported by local tax effort.

**FORMULA FUNDING**

Formula funding constitutes 97.3 percent of the direct General Revenue Funds appropriations to community colleges. For the 2022–23 biennium, community colleges are appropriated \$1,833.5 million in General Revenue Funds through formula funding. The Legislature implemented the three-formula model for the 2014–15 biennium

Each community college district receives \$1.4 million in General Revenue Funds for core operations to help cover basic operating costs, regardless of the district's geographic location or institutional size. Core operations funding replaced the small institution supplement previously included in formula funding.

The Student Success Points model allocates funding based on student completion of 11 metrics, shown in **Figure 18**. The Texas Higher Education Coordinating Board (THECB) calculates the number of success points achieved by each community college district per fiscal year. To account for

fluctuations in annual points, the total number of points used in the formula is based on a three-year average of points earned by each community college district. The appropriation is allocated to the colleges according to each district's proportionate share of the total number of success points, resulting in a funding rate of \$247.91 per success point for the 2022–23 biennium. The following formula calculates student success points funding for each district:

$$\text{Student Success Points} \times \text{Rate } (\$247.91)$$

The basis of the contact hour formula is THECB's Report of Fundable Operating Expenses (RFOE). The report includes all expenditures for instruction and administration, excluding facilities costs, in 26 program areas. THECB uses the data to determine the median costs in the program areas, which are referred to as the rates for contact hours in those disciplines. THECB then recommends funding based on the rates. THECB has used various methodologies as the basis for its funding recommendations. Because the RFOE includes all funding (state appropriations and tuition and tax revenue, which are not appropriated), THECB's recommendation for state funding typically has not equaled 100.0 percent of the rates. The amount appropriated is a legislative decision based

**FIGURE 18  
TEXAS COMMUNITY COLLEGES STUDENT SUCCESS POINTS FOR OUTCOMES-BASED MODEL OF INSTRUCTION AND ADMINISTRATION FUNDING, 2022–23 BIENNIUM**

METRIC	POINTS
Student successfully completes developmental education in mathematics	1.0
Student successfully completes developmental education in reading	0.5
Student successfully completes developmental education in writing	0.5
Student completes first college-level mathematics course with a grade of C or better	1.0
Student completes first college-level course designated as reading-intensive with a grade of C or better	0.5
Student completes first college-level course designated as writing-intensive with a grade of C or better	0.5
Student successfully completes first 15.0 semester credit hours at the institution	1.0
Student successfully completes first 30.0 semester credit hours at the institution	1.5
Student transfers to a general academic institution after completing at least 15.0 semester credit hours at the community college, or a student in a structured co-enrollment program successfully completes at least 15.0 semester credit hours at the community college	3.0
Student receives from the institution an associate degree, bachelor's degree, or certificate recognized for this purpose by THECB in a critical field, such as science, technology, engineering, mathematics, or allied health	3.25
Student receives from the institution an associate degree, bachelor's degree, or certificate recognized for this purpose by THECB in a field other than a critical field	1.2

NOTE: THECB=Texas Higher Education Coordinating Board.  
SOURCE: Eighty-seventh Legislature, General Appropriations Act, 2022–23 Biennium.

on available funding that considers enrollment changes and other factors. The appropriation is allocated to the colleges according to each district’s proportionate share of the THECB recommendations. Contact hours for academic courses constitute 73.9 percent of total contact hours. The remaining contact hours are generated from technical courses. The following formula calculates funding based on contact hours:

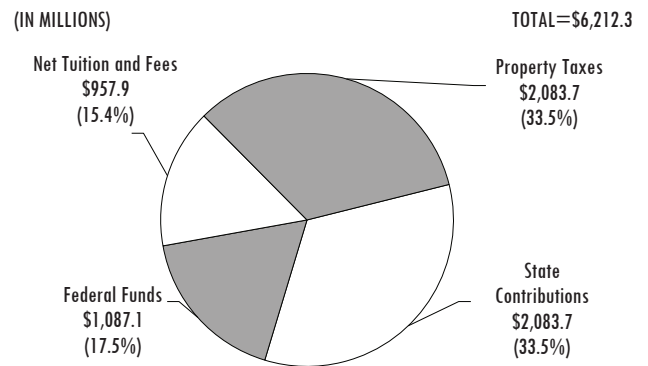
$$\text{Contact Hours} \times \text{Rate } (\$2.84)$$

Four community colleges also receive weighted semester credit-hour formula funding for their degree programs for bachelor of applied technology.

**OTHER FUNDING**

The remaining appropriations for community colleges are for isolated nonformula support items and need-based supplemental funding. As with funding for general academic institutions, nonformula support appropriations to community colleges are for projects that the Legislature identifies as needing support and that are not funded by a formula. Nonformula support funding includes appropriations for the Southwest College for the Deaf, which is part of the appropriation for Howard College. The Eighty-seventh Legislature, Regular Session, 2021, implemented need-based supplemental funding, which is appropriated to

**FIGURE 19  
MAJOR SOURCES OF TEXAS COMMUNITY COLLEGES’ OPERATING REVENUE, FISCAL YEAR 2020**



SOURCE: Texas Higher Education Coordinating Board.

community colleges that the Legislature determines to have the greatest financial need.

In addition to state appropriations, other major sources of revenue for community colleges are local property taxes, federal funding, and tuition and fees. **Figure 19** shows the sources of funding for community colleges. The state appropriations shown include all direct formula and nonformula appropriations, in addition to Higher Education Employees Group Insurance and retirement benefit appropriations.

**OTHER TRUSTEED FUNDS**

Students at community colleges also benefit from Texas Educational Opportunity Grants, a student financial aid program appropriation allocated by THECB.

**TEXAS STATE TECHNICAL COLLEGES AND LAMAR STATE COLLEGES**

TSTCs are two-year institutions of higher education that offer occupationally oriented programs with supporting academic course work, emphasizing technical and vocational areas for certificates or associate’s degrees. The three Lamar State Colleges are lower-division institutions of higher education within the Texas State University System. Lamar State College – Port Arthur and Lamar State College – Orange offer freshman and sophomore courses, and the primary focus of the Lamar Institute of Technology is to teach technical and vocational courses. The TSTCs and Lamar State Colleges receive formula and nonformula funding through state appropriations; however, unlike the community colleges, these systems do not have local taxing authority.

**FORMULA FUNDING**

TSTC institutions and Lamar State Colleges receive most of their appropriations via two formulas: an Instruction and Administration (I&A) formula and the Infrastructure formula for general academic institutions. As with general academic institutions, tuition revenue for these colleges is provided in the General Appropriations Act (GAA).

The Lamar State Colleges I&A formula is based on contact hours. For the 2022–23 biennium, the Lamar State Colleges are appropriated \$58.5 million in General Revenue Funds through I&A formula funding based on the following formula calculation:

$$\text{Contact Hours} \times \text{Rate } (\$7.20)$$

The Legislature sets the rate in the GAA, Article III, Special Provisions, based on available funding, enrollment changes, and other factors.

TSTC I&A formula funding totals \$139.8 million in General Revenue Funds for the 2022–23 biennium. Before the 2014–15 biennium, the TSTC I&A formula was based on student contact hours. The Eighty-third Legislature, Regular Session, 2013, modified the calculation of the I&A formula to base it on the returned value to the state generated by the TSTC System. The formula compares average student wages upon completion of 9.0 semester credit hours or more at a

TSTC institution to the minimum wage to determine the additional estimated direct and indirect value an individual generates for the state after attending a TSTC institution. Based on available funding, the Legislature then appropriates a percentage of this returned value amount to the TSTC System for I&A funding. The following formula calculates TSTC I&A funding:

$$\begin{aligned} & \text{Returned Value} \\ & \times \text{Percentage Allocated to TSTC } (35.9 \%) \end{aligned}$$

Contact hours for vocational and technical courses represent approximately 53.4 percent of total contact hours at the Lamar State Colleges and 79.2 percent of contact hours at TSTC institutions. The remaining contact hours are generated from academic and continuing education courses.

**NONFORMULA FUNDING**

TSTC institutions and Lamar State Colleges are appropriated nonformula funding from General Revenue Funds. Specifically, facilities funding is available from Higher Education Fund allocations for the TSTCs and the Lamar State Colleges, and both systems previously have received Capital Construction Assistance Projects revenue bond authorizations. In addition, the TSTCs and Lamar State Colleges are appropriated nonformula support items and unemployment and workers’ compensation insurance consistent with the methodology used for general academic institutions. The TSTC System administration also receives General Revenue Funds for system operations.

The TSTC institutions and Lamar State Colleges are appropriated nonformula General Revenue–Dedicated Funds for Texas Public Education Grants and staff group insurance consistent with the methodology used for general academic institutions.

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# CAPITAL CONSTRUCTION ASSISTANCE PROJECT BONDS

## DEBT SERVICE

State appropriations that are allocated to an institution to supplement revenue funds to pay down debt service on the issuance of revenue bonds are designated as Capital Construction Assistance Projects bonds, formerly called tuition revenue bonds. The Legislature must authorize Capital Construction Assistance Projects bonds in statute, and these projects cannot be used for auxiliary space, such as dormitories. The Texas Education Code, Chapter 55, authorizes governing boards of higher education institutions to issue revenue bonds “to be payable from and secured by liens on and pledges of all or any part of any of the revenue funds of the board and its institution or institutions, or any branch or branches of any of its institutions.” Although legally secured through an institution’s tuition and fee revenue, historically the state has used General Revenue Funds to reimburse the universities for debt service for these bonds.

The Legislature first authorized capital projects in 1971. In some instances, the authorization was a lump sum for the benefit of specific institutions. During the past 15 years, the Legislature passed the following legislation authorizing capital projects and appropriations for debt service for institutions of higher education:

- House Bill 153, Seventy-ninth Legislature, Third Called Session, 2006, authorized the issuance of \$1.9 billion in bonds for 44 institutions;
- House Bill 1775, Eightieth Legislature, 2007, authorized the issuance of \$13.0 million in bonds to expand nursing facilities at Stephen F. Austin University;
- House Bill 51, Eighty-first Legislature, Regular Session, 2009, authorized the issuance of \$150.0 million in bonds for the University of Texas Medical Branch Galveston and \$5.0 million in bonds for Texas A&M University at Galveston to recover from damages caused by Hurricane Ike, which made landfall in Texas in September 2008;
- House Bill 100, Eighty-fourth Legislature, 2015, authorized \$3.1 billion in bonds for projects at institutions of higher education;

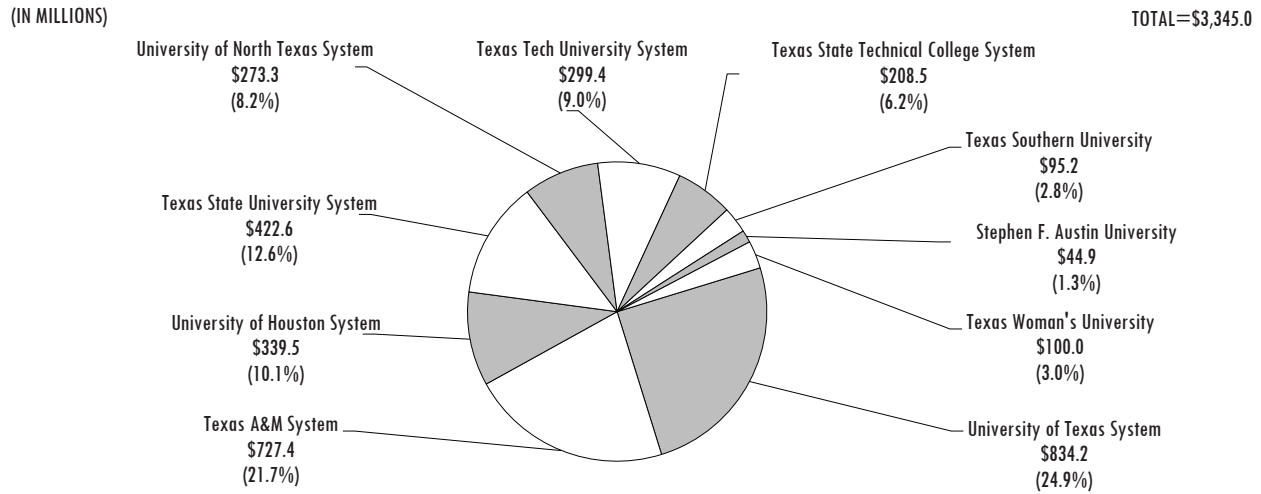
- The Eighty-fifth Legislature, Regular Session, 2017, appropriated \$1,014.4 million in General Revenue Funds for the 2018–19 biennium to pay debt service for previously authorized bonds, including those authorized by House Bill 100, Eighty-fourth Legislature, 2015; and
- Senate Bill 52, Eighty-seventh Legislature, Third Called Session, 2021, authorizes \$3.3 billion in bonds for projects at institutions of higher education.

**Figure 20** shows the distribution of these projects across systems and institutions. Senate Bill 8, Eighty-seventh Legislature, Third Called Session, 2021, appropriates \$325.0 million to the Texas Higher Education Coordinating Board for debt service associated with these projects.

### OTHER CAPITAL FUNDING

Two institutions receive appropriations for the 2022–23 biennium from General Revenue Funds for capital projects debt service that were not authorized as Capital Construction Assistance Projects. The University of Texas System Administration receives an appropriation of \$6.2 million in General Revenue Funds for debt service for the Natural Science and Engineering Building at the University of Texas at Dallas. The Texas A&M University System Health Science Center receives an appropriation of \$7.2 million in General Revenue Funds for debt service for its Round Rock facility.

**FIGURE 20**  
**CAPITAL CONSTRUCTION ASSISTANCE PROJECT BONDS AUTHORIZED BY SENATE BILL 52, EIGHTY-SEVENTH LEGISLATURE,**  
**THIRD CALLED SESSION, 2021**  
**2022–23 BIENNIUM**



SOURCE: Legislative Budget Board.



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## CONSTITUTIONAL AND STATUTORY FUNDS

Texas public institutions of higher education may receive funding from sources set by statute and from funds intended to promote research at Texas general academic institutions.

### CONSTITUTIONAL FUNDS

Two constitutionally authorized funds provide funding for new construction and excellence enhancement for Texas public institutions of higher education: the Permanent University Fund (PUF) and the Higher Education Fund (HEF). These funds are appropriated separately in the General Appropriations Act (GAA) and are not appropriated directly to the institutions. The HEF and income from the PUF, which is deposited into a separate Available University Fund (AUF) (Other Funds), may be used to acquire land; construct, equip, repair, or rehabilitate buildings; and acquire capital equipment and library books and materials. Institutions may use a portion of the funds for payment of debt service on bonds issued for authorized purposes. Income from the PUF also may be used for support and maintenance programs at certain institutions.

All institutions, whether in accordance with PUF or HEF, remain eligible to receive General Revenue Funds for capital equipment and for library books and materials. However, pursuant to the Texas Constitution, Article VII, Section 17(j), no institution may receive General Revenue Funds for land acquisition, new construction, or major repairs and rehabilitations, with two exceptions: (1) General Revenue Funds may be used to replace uninsured losses caused by fire or natural disaster; and (2) these funds may be used if approved by a two-thirds vote of both chambers of the Legislature for projects that have a demonstrated need.

To assure efficient use of construction funds and the orderly development of physical plants, Article VII, Section 17(h), also authorizes the Legislature to approve or disapprove all new construction projects undertaken by institutions except the University of Texas at Austin, Texas A&M University, Texas A&M University at Galveston, and Prairie View A&M University.

### PERMANENT UNIVERSITY FUND AND AVAILABLE UNIVERSITY FUND

The PUF is a public endowment contributing to the support of most institutions in the University of Texas (UT) System

and the Texas A&M University (TAMU) System. The Texas Constitution, 1876, established the PUF by appropriating land grants previously given to UT, plus 1.0 million acres. In 1883, the PUF received another land grant of an additional 1.0 million acres. The fund now contains approximately 2.1 million acres located in 24 West Texas counties. The land produces two lines of income: surface and mineral. The constitution requires all surface lease income to be deposited to the AUF. Mineral income and income from the sale of PUF lands remain in the PUF and are invested in equity, fixed-income, and derivative securities. Proposition 17, 1999, amended the constitution to authorize the UT Board of Regents to use a total return on investment assets from the PUF to be distributed to the AUF.

Surface and investment income from the PUF is placed into the AUF for use by the TAMU and UT systems. The constitution requires that the annual AUF distribution, as determined by the UT Board of Regents, must provide the AUF with a stable annual income source while maintaining the purchasing power of the PUF.

The total estimated appropriation for the 2022–23 biennium to the AUF is \$2,496.6 million. The constitution designates two-thirds of the AUF to the UT System and one-third to the TAMU System. The first obligation of any income earned by the PUF is to pay the debt service, including principal and interest, on extant PUF bonds. The constitution authorizes the two systems to issue bonds backed by the PUF up to 30.0 percent of the fund's book value. The residual income, after debt service, is dedicated to system office operations and support and to maintenance programs at UT at Austin, Texas A&M University at College Station, Texas A&M University at Galveston, and Prairie View A&M University. The systems' boards of regents determine allocations to individual institutions, including health-related institutions, and the amounts for support and maintenance. The constitution authorizes the Legislature to make new components of the UT and TAMU systems eligible to receive support from PUF bonds through a measure that must receive a two-thirds majority vote in both chambers. The Legislature added the University of Texas Rio Grande Valley to these eligible institutions in 2013. **Figure 21** shows the recipients and the types of support they receive.

**FIGURE 21  
PARTICIPANTS IN THE TEXAS HIGHER EDUCATION AVAILABLE UNIVERSITY FUND, 2022–23 BIENNIUM**

<b>SUPPORT AND MAINTENANCE AND DEBT SERVICE FUNDS</b>	
University of Texas System	Texas A&M University System Health Science Center
Texas A&M University System	Prairie View A&M University
University of Texas at Austin	Texas A&M University at Galveston
Texas A&M University	
<b>DEBT SERVICE ONLY</b>	
University of Texas System components:	Texas A&M University System components:
<ul style="list-style-type: none"> <li>• University of Texas at Arlington</li> <li>• University of Texas at Dallas</li> <li>• University of Texas at El Paso</li> <li>• University of Texas of the Permian Basin</li> <li>• University of Texas Rio Grande Valley</li> <li>• University of Texas at San Antonio</li> <li>• University of Texas at Tyler</li> <li>• University of Texas Southwestern Medical Center</li> <li>• University of Texas Medical Branch at Galveston</li> <li>• University of Texas Health Science Center at Houston</li> <li>• University of Texas Health Science Center at San Antonio</li> <li>• University of Texas Health Science Center at Tyler</li> <li>• University of Texas M.D. Anderson Cancer Center</li> </ul>	<ul style="list-style-type: none"> <li>• Tarleton State University</li> <li>• Texas A&amp;M University – San Antonio</li> <li>• Texas A&amp;M University – Central Texas</li> <li>• Texas A&amp;M AgriLife Research</li> <li>• Texas A&amp;M AgriLife Extension Service</li> <li>• Texas A&amp;M Engineering Experiment Station</li> <li>• Texas A&amp;M Engineering Extension Service</li> <li>• Texas A&amp;M Transportation Institute</li> <li>• Texas A&amp;M Forest Service</li> </ul>
SOURCE: Legislative Budget Board.	

**HIGHER EDUCATION FUND**

The HEF was established by constitutional amendment as a counterpart to the PUF for Texas public institutions of higher education that are not eligible for the AUF. The HEF is supported by appropriations from General Revenue Funds totaling \$787.5 million for the 2022–23 biennium. **Figure 22** shows the allocation of HEF funds to institutions for fiscal years 2020 to 2025.

The Texas Education Code, Section 62.021 specifies the distribution of appropriations from HEF to eligible institutions based on a formula allocation incorporating the following elements: (1) space deficit; (2) facilities condition; (3) institutional complexity; and (4) a separate allocation for the Texas State Technical College System. Although the constitution requires the Legislature to review the HEF’s formula allocation every 10 years, the Legislature may choose once every five years to adjust the amount and the allocation of the constitutional appropriation for the next five years. Institutions must use HEF funds for capital purposes and may use HEF allocations for debt service on HEF bonds or as cash. The allocations will be revised next in fiscal year 2025.

**RESEARCH FUNDS AND OTHER FUNDS**

Five separate funds are dedicated to fostering increased research capacity at eligible Texas general academic institutions: (1) the National Research University Fund (Other Funds); (2) the Comprehensive Research Fund; (3) the Texas Research Incentive Program; (4) the Core Research Support Fund; and (5) the Texas Research University Fund. One additional fund, the Permanent Fund Supporting Military and Veterans Exemptions (Other Funds), provides funding to help offset the cost to higher education institutions of providing tuition exemptions to children of military veterans.

**NATIONAL RESEARCH UNIVERSITY FUND**

The National Research University Fund (NRUF) is a constitutionally authorized fund specifically dedicated to assisting certain emerging research universities to attain national prominence as research universities. Funding for the NRUF resulted from the rededication of the Permanent Higher Education Fund (PHEF), a dedicated HEF corpus intended to become a permanent endowment to support non-PUF-eligible institutions. However, the PHEF corpus

**FIGURE 22**  
**HIGHER EDUCATION FUND ALLOCATIONS, FISCAL YEARS 2020 TO 2025**

INSTITUTION	ALLOCATION	INSTITUTION	ALLOCATION
University of Houston	\$54,514,004	Stephen F. Austin State University	\$11,277,793
University of Houston – Clear Lake	\$7,726,043	Texas Southern University	\$11,719,335
University of Houston – Downtown	\$10,828,344	Texas Woman’s University	\$14,554,133
University of Houston – Victoria	\$3,542,817	Texas A&M University – Corpus Christi	\$11,478,824
Lamar University	\$13,141,181	Texas A&M International University	\$7,462,394
Lamar – Orange	\$1,488,396	Texas A&M University – Kingsville	\$8,858,060
Lamar – Port Arthur	\$2,217,102	Texas A&M University – Commerce	\$11,123,859
Lamar Institute of Technology	\$2,553,130	Texas A&M University – Texarkana	\$2,050,273
Sul Ross University	\$2,151,723	West Texas A&M University	\$7,446,495
Sul Ross University – Rio Grande	\$472,890	Midwestern State University	\$4,933,200
Sam Houston State University	\$18,236,811	Texas Tech University	\$49,874,746
Texas State University	\$37,606,478	Texas Tech University Health Sciences Center	\$21,652,392
University of North Texas	\$37,346,563	Texas Tech University Health Sciences Center at El Paso	\$5,557,572
University of North Texas Health Sciences Center	\$15,125,502	Angelo State University	\$6,792,999
University of North Texas at Dallas	\$3,354,441	Texas State Technical Colleges (1)	\$8,662,500
		<b>Total</b>	<b>\$393,750,000</b>

NOTE: (1) From the total Higher Education Fund allocation, 2.2 percent is set aside for distribution to the Texas State Technical Colleges.  
SOURCE: Legislative Budget Board.

was rededicated with the voter passage of Proposition 4, 2009, which added Texas Constitution, Article VII, Section 20, to establish the NRUF. The \$515.9 million balance of the PHEF was transferred to the NRUF on January 1, 2010.

The constitution authorizes the Legislature to appropriate some or all of the return on all investment assets of the NRUF for the purposes of the fund, with two limitations: (1) the Legislature may not increase distributions from the fund if the purchasing power of investment assets for any rolling 10-year period is not preserved; and (2) the amount appropriated from the proceeds from the NRUF corpus in any fiscal year must be capped at 7.0 percent of the investment assets’ average net fair market value.

Appropriations for the 2022–23 biennium total \$50.5 million in estimated NRUF proceeds to eligible institutions through the Available National Research University Fund (ANRUF). To be eligible to receive ANRUF appropriations, an institution must meet two mandatory criteria and at least four out of six other criteria. The mandatory criteria are that the institution is designated as an emerging research university within the Texas Higher Education Coordinating

Board’s (THECB) Accountability System, and that the institution reported at least \$45.0 million in restricted research expenditures during each of the two preceding fiscal years. Optional criteria include at least four of the following measures: (1) having an endowment fund with a value of at least \$400.0 million; (2) awarding at least 200 doctoral philosophy degrees per year; (3) enrolling a freshman class of high academic achievement; (4) attaining recognition of the institution’s research capability and scholarly attainment; (5) hiring a high-quality faculty; and (6) operating high-quality graduate education programs. THECB evaluates the mandatory and optional other criteria to determine whether an institution is eligible to receive ANRUF appropriations.

The distribution of ANRUF appropriations is specified in the Texas Education Code, Section 62.148. Of the total annual ANRUF appropriations, each eligible institution is entitled to a distribution in an amount equal to the sum of: (1) one-seventh of the total amount appropriated; and (2) an equal share of the remaining appropriations, not to exceed one-fourth of the remaining amount. However, if more than four institutions are eligible in a fiscal year, each eligible

**FIGURE 23**  
**TEXAS HIGHER EDUCATION COMPREHENSIVE RESEARCH FUND ALLOCATIONS, 2022–23 BIENNIUM**

INSTITUTION	ALLOCATION	INSTITUTION	ALLOCATION
University of Texas Rio Grande Valley	\$1,423,264	University of Houston – Clear Lake	\$169,321
University of Texas of the Permian Basin	\$164,074	University of Houston – Downtown	\$291,803
University of Texas at Tyler	\$215,110	University of Houston – Victoria	\$12,801
Prairie View A&M University	\$1,331,761	Midwestern State University	\$107,908
Texas A&M University at Galveston	\$824,209	University of North Texas at Dallas	\$6,146
Tarleton State University	\$869,096	Stephen F. Austin State University	\$286,507
Texas A&M University – Corpus Christi	\$2,925,449	Texas Southern University	\$661,495
Texas A&M University – Kingsville	\$2,282,858	Texas Woman’s University	\$481,651
Texas A&M International University	\$418,237	Angelo State University	\$44,330
West Texas A&M University	\$343,956	Lamar University	\$334,198
Texas A&M University – Commerce	\$223,367	Sam Houston State University	\$605,314
Texas A&M University – San Antonio	\$15,024	Sul Ross State University	\$234,494
		<b>Total</b>	<b>\$14,272,374</b>

SOURCE: Legislative Budget Board.

institution is entitled to an equal share of the total amount appropriated from the ANRUF.

As of January 2022, Texas Tech University, the University of Houston, the University of Texas at Dallas, and the University of Texas at Arlington are the only emerging research universities deemed eligible to receive ANRUF appropriations. At the beginning of fiscal year 2022, the University of Texas at San Antonio had met criteria for eligibility in fiscal year 2020 and was pending audit by the State Auditor’s Office and THECB of their metrics for fiscal year 2021 before it is considered eligible for the fiscal year 2022 distribution.

**COMPREHENSIVE RESEARCH FUND**

The Eighty-fourth Legislature, 2015, established the Comprehensive Research Fund (CRF) to provide funding to promote increased research capacity at eligible general academic teaching institutions. The Texas Education Code, Section 62.092, establishes that a general academic institution is eligible to receive funding through the CRF if it is not one of the following: (1) the University of Texas at Austin or Texas A&M University; or (2) designated an emerging research university within THECB’s accountability system.

Appropriations to the CRF for the 2022–23 biennium total \$14.3 million in General Revenue Funds. The distribution of CRF appropriations is apportioned among eligible institutions according to a formula based on each institution’s

three-year average of restricted research expenditures. **Figure 23** shows CRF allocations for the 2022–23 biennium.

**TEXAS RESEARCH INCENTIVE PROGRAM**

The Eighty-first Legislature, Regular Session, 2009, established the Texas Research Incentive Program (TRIP), which is administered by THECB. Pursuant to the Texas Education Code, Sections 62.121 to 62.124, TRIP provides matching funds to assist institutions designated as emerging research universities within THECB’s accountability system in leveraging private gifts for the enhancement of research productivity. The following eight institutions receive funding through the program: Texas Tech University, the University of Texas at Arlington, the University of Texas at Dallas, the University of Texas at El Paso, the University of Texas at San Antonio, the University of Houston, the University of North Texas, and Texas State University, which was designated an emerging research university in calendar year 2012. The Eighty-seventh Legislature, Regular Session, 2021, appropriated \$33.3 million for the 2022–23 biennium for TRIP, which is a decrease of \$1.7 million from the 2020–21 biennium.

**CORE RESEARCH SUPPORT FUND**

The Eighty-fourth Legislature, 2015, established the Core Research Support Fund to provide funding to promote increased research capacity at emerging research universities within THECB’s accountability system, as defined in the

Texas Education Code, Section 62.132. Funding for core research support is allocated based on a funding formula of eligible institutions' three-year average of total restricted research expenditures and total annual research expenditures.

Total appropriations for the Core Research Support Fund provide \$117.1 million for the 2022–23 biennium to the state's eight emerging research universities.

#### **TEXAS RESEARCH UNIVERSITY FUND**

The Eighty-fourth Legislature, 2015, established the Texas Research University Fund (TRUF), which provides funding to eligible research universities to support faculty in promoting excellence in instruction and research. The Texas Education Code, Section 62.051, defines an eligible institution as a research university within THECB's accountability system that has total annual research expenditures averaging at least \$450.0 million for three consecutive fiscal years. The University of Texas at Austin and Texas A&M University meet these criteria. Total appropriations for TRUF are \$147.1 million in All Funds for the 2022–23 biennium.

#### **PERMANENT FUND SUPPORTING MILITARY AND VETERANS EXEMPTIONS**

The Eighty-third Legislature, Regular Session, 2013, established the Permanent Fund Supporting Military and Veterans Exemptions to help institutions of higher education offset the cost of tuition exemptions for dependents of military veterans. The exemption, defined in the Texas Education Code, Section 54.341(k), and known as the Hazlewood Legacy Act, was implemented during fiscal year 2010. The fund, initially formed by a onetime, \$248.0 million contribution from the Texas Guaranteed Student Loan Corporation, consists of legislative appropriations and money contributed through gifts and grants. The annual distributions from the fund are based on a rate of 3.5 percent of average value of the fund during the preceding 20 months. This distribution is combined with General Revenue Funds appropriated by the Legislature, which are issued to eligible institutions in proportion to each one's respective share of the aggregate cost to all institutions for the Hazlewood Legacy Program. The estimated appropriations for the 2022–23 biennium include \$18.4 million in distributions from the Permanent Fund Supporting Military and Veterans Exemptions and an additional \$28.5 million in General Revenue Funds.



# HIGHER EDUCATION EMPLOYEES' BENEFITS

Public institutions of higher education in Texas receive appropriations for health and retirement benefits in addition to other state appropriations. Institutions receive indirect state contributions for Higher Education Employees Group Insurance (HEGI), Social Security benefits, and retirement benefits managed by the Teacher Retirement System of Texas and the Optional Retirement Program. Texas public institutions also receive direct state contributions for staff group insurance, workers' compensation insurance, and unemployment compensation insurance.

## HIGHER EDUCATION EMPLOYEES GROUP INSURANCE

Appropriations from General Revenue Funds for HEGI are not direct appropriations in the institutions' bill patterns. HEGI is appropriated in a separate bill pattern of the General Appropriations Act (GAA), Article III, Higher Education Employees Group Insurance Contributions, which includes a line item for each institution. This indirect, sum-certain appropriation from General Revenue Funds is intended to cover a percentage of the cost of health insurance premiums for all active and retired employees whose salaries are paid from General Revenue Funds.

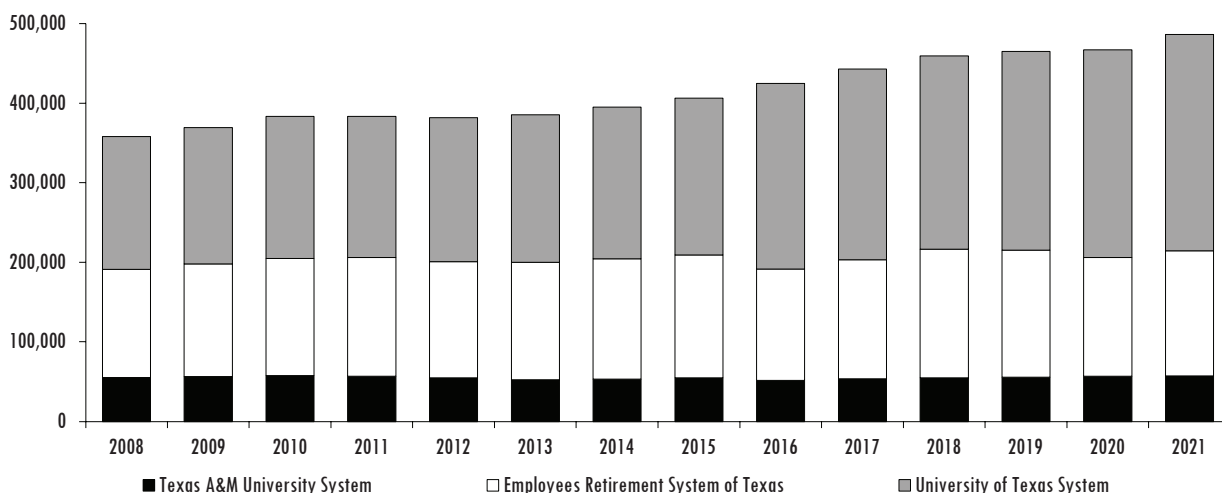
The University of Texas (UT) and Texas A&M University (TAMU) systems operate their own health insurance programs, each of which receives separate appropriations. The Employees Retirement System of Texas (ERS) Group Benefits Program serves the remaining institutions of higher education. **Figure 24** shows the total number of each system's participants (active employees, retirees, and dependents) from fiscal years 2008 to 2021. Since fiscal year 2008, the number of participants has increased by 35.9 percent.

Legislative appropriations for HEGI for the 2022–23 biennium total \$1,428.6 million in General Revenue Funds, an increase of \$10.8 million from the 2020–21 biennium. The following formula calculates the biennial appropriation for group health insurance:

$$(Eligible\ Enrollees \times Premium\ Contribution\ Rates \times Annual\ Rate\ Increase)$$

HEGI premium contribution rates vary by insuring system and type of institution. Institutions of higher education typically are not funded at the full ERS premium rate. The Legislature determines the funding rate for institutions of higher education, excluding community colleges. For the 2022–23 biennium, contributions for employees of state

**FIGURE 24**  
**TEXAS PUBLIC HIGHER EDUCATION EMPLOYEE HEALTH INSURANCE TOTAL PARTICIPATION**  
**FISCAL YEARS 2008 TO 2021**



SOURCES: University of Texas System; Texas A&M University System; Employees Retirement System of Texas.

institutions of higher education are funded at rates ranging from 78.2 percent to 78.7 percent of the ERS premium rate. The Texas Insurance Code, Section 1551.3111, requires that community college districts are funded at 50.0 percent of the full ERS premium rate for eligible employees.

An institution's allocation of General Revenue Funds is based on how many of its employees are enrolled in the health insurance program as of December 1 of the year preceding the legislative session. Funding is based on a sum-certain appropriations methodology in which state contributions to individual institutions are capped at each institution's line-item amount, and any additional costs must be funded by the institutions from other appropriated or local funds. However, the GAA also authorizes ERS and the UT and TAMU systems to transfer HEGI appropriations among institutions within their respective group insurance programs to address needs related to General Revenue Funds group insurance premiums.

For all institutions of higher education except community colleges, appropriations for HEGI provide state contributions toward each institution's costs of health insurance premiums in accordance with proportional cost-sharing requirements. Institutions are required to pay 100.0 percent of the health benefit costs for employees whose salaries are paid from sources other than General Revenue Funds.

State contributions for group health insurance for community colleges are based on the costs associated with eligible instructional or administrative employees. Those employees' salaries may be paid fully from funds appropriated pursuant to the GAA, regardless of whether such salaries are paid from appropriated funds. Contributions may not be adjusted in a proportion greater than the change in student enrollment, with the exception that a college experiencing a decrease in student enrollment may petition the Legislative Budget Board to maintain the number of eligible employees up to 98.0 percent of the previous biennium.

Beginning in the 2016–17 biennium, a stepped hold-harmless appropriation was adopted through the benefits petition process for colleges that experienced a decrease in enrollment. Employee hold-harmless levels are based on the decrease in enrollment at each institution. **Figure 25** shows the employee hold-harmless levels corresponding to each range of enrollment decrease in contact hours. For example, a community college that experienced an 8.0 percent decrease in contact hours received a 95.0 percent employee hold-harmless appropriation. Similarly, a community college that

**FIGURE 25**  
**TEXAS COMMUNITY COLLEGE STEPPED EMPLOYEE HOLD HARMLESS LEVELS, 2022–23 BIENNIUM**

PERCENTAGE DECREASE IN CONTACT HOURS	HOLD HARMLESS
2.0% to 5.0%	98.0% (2.0% decrease)
More than 5.0% to 10.0%	95.0% (5.0% decrease)
More than 10.0% to 15.0%	90.0% (10.0% decrease)
More than 15.0%	85.0% (15.0% decrease)

SOURCE: Legislative Budget Board.

experienced a 4.0 percent decrease in contact hours received a 98.0 percent employee hold-harmless appropriation.

The type of benefits and overall premium amounts covered are the same for higher education institutions as those for other state employees. The difference is that the state does not cover the full premium for employees at higher education institutions. For full-time employees at all higher education institutions, the state and the institution pay the full employee-only premium and half the difference between the employee-only premium and the premium for dependent coverage.

**SOCIAL SECURITY BENEFITS**

An appropriation for Social Security is included in the GAA at the end of Article III. It is an estimated appropriation from General Revenue Funds to provide the employer-matching funds for institutions of higher education.

**RETIREMENT CONTRIBUTIONS**

Appropriations for retirement contributions are included in accordance with the Teacher Retirement System of Texas (TRS) and Optional Retirement Program (ORP) bill patterns. Some higher education employees, primarily faculty and senior administrators, are eligible for ORP, a defined-contribution plan similar to a 401(k) account. Other higher education employees participate in TRS, a defined benefit plan. The state contribution rate for TRS and ORP is equal to 8.0 percent of an employee's salary for the 2022–23 biennium. Statute limits the state contributions for community college employees participating in the state retirement program to 50.0 percent of the eligible compensation of employees whose duties are instructional or administrative. Beginning with the 2016–17 biennium, an additional limit to state retirement contributions applies for each community and junior college based on the growth in its number of employees in proportion to changes in student enrollment at the college.



**STAFF GROUP INSURANCE**

Staff group insurance is for staff of institutions of higher education, excluding community colleges, whose salaries are paid from a category of General Revenue–Dedicated Funds called Other Educational and General Funds. This direct appropriation is based on the number of employees at an institution whose salaries are not funded through General Revenue Funds or local funds as of December 1 of the year before the legislative session.

**WORKERS' COMPENSATION INSURANCE**

Changes to the structure of the statewide workers' compensation system resulted in most institutions receiving appropriations from General Revenue Funds for workers' compensation insurance starting in the 2006–07 biennium. The UT and TAMU systems operate their own workers' compensation pools, and all other institutions are part of the State Office of Risk Management's workers' compensation pool. The appropriation for the 2022–23 biennium for general academic and health-related institutions is approximately \$14.8 million in General Revenue Funds. TAMU System agencies also receive workers' compensation insurance through various methods of finance. The Legislature appropriated a total of \$1.4 million to these agencies for workers' compensation insurance for the 2022–23 biennium.

**UNEMPLOYMENT COMPENSATION INSURANCE**

Many components of the UT and TAMU systems receive appropriations from General Revenue Funds for unemployment compensation insurance because these two systems operate their own risk pools. The appropriation for the 2022–23 biennium for the UT and TAMU systems' general academic and health-related institutions is approximately \$0.9 million in General Revenue Funds. TAMU System research and service agencies also receive unemployment compensation insurance through various methods of finance. The appropriation for unemployment compensation insurance for the 2022–23 biennium for these agencies totals \$0.5 million. The Texas Workforce Commission receives an appropriation to cover unemployment benefits for former state employees of all other higher education institutions.



# FUNDING TEXAS A&M UNIVERSITY SYSTEM AGENCIES

Eight research and service agencies are administered by the Texas A&M University (TAMU) System. These agencies provide various services to the state, including research, teaching, and public service. As shown in **Figure 26**, TAMU System agencies differ from other institutions of higher education in that each system agency focuses on one or more of four traditional missions of higher education institutions: research, extension, teaching, and service. To address Texas’

geographic diversity and provide an effective network of services, TAMU System agencies maintain locations across the state, as shown in **Figures 27** and **28**. TAMU System agencies are authorized by the Texas Education Code, Title 3, Chapter 88.

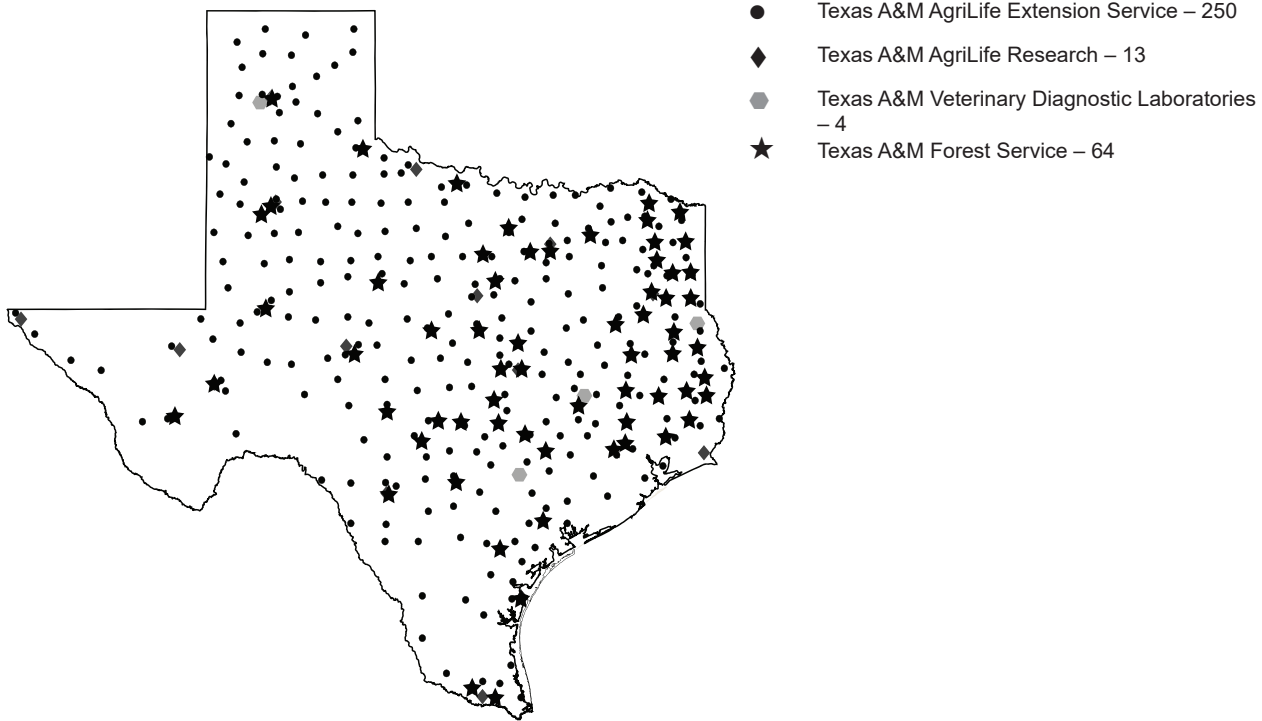
State funding for the TAMU System agencies is similar to funding for higher education institutions. The agencies have considerable discretion in their budgeting and financial

**FIGURE 26**  
**TEXAS A&M UNIVERSITY SYSTEM AGENCIES MISSIONS AND FUNCTIONS, 2022–23 BIENNIUM**

AGENCY	MISSION/FUNCTION
Texas A&M AgriLife Research	To promote agricultural competitiveness, environmental quality, health and nutrition, agricultural product quality, and economic development. Conducts research on livestock, plants, crops, and processing techniques to ensure that Texas’ agricultural system is competitive.
Texas A&M AgriLife Extension Service	To convey scientific information and technology transfer programs to the public, addressing areas in agriculture and natural resources; family and community health; youth, community, and leadership development; environmental quality; and food safety. Conducted by extension agents serving all Texas counties and supported by federal, state, and county funding.
Texas A&M Engineering Experiment Station	To conduct basic and applied research, technology transfer, and workforce development activities in engineering and related fields. Research highlights include energy independence, efficiency, and conservation; alternative energy; healthcare; transportation and infrastructure; and national security.
Texas A&M Transportation Institute	To anticipate, identify, and solve transportation problems; disseminate the results of research to improve the overall transportation system; serve as an informational resource for state and federal policy makers; and enhance the quality of transportation education in Texas. Approximately 40.0 percent of research expenditures from Interagency Contracts are contracted from the Texas Department of Transportation.
Texas A&M Engineering Extension Service	To provide public-sector and private-sector training, technology-transfer assistance, and emergency response. Operates the Brayton Fire Training Field and the Emergency Operations Training Center. Includes Texas Task Force 1, a National Urban Search and Rescue System team coordinated by the Federal Emergency Management Agency, which is deployed for emergency response and search-and-rescue operations.
Texas A&M Forest Service	To provide professional assistance to conserve and protect the state’s forest, tree, and related natural resources. The Texas Wildfire Protection Plan is the agency’s wildfire response model. Administers the Rural Volunteer Fire Department Assistance Program, which provides grants to local volunteer fire departments for equipment and training.
Texas A&M Veterinary Medical Diagnostic Laboratory	To perform veterinary diagnostic services, regulatory testing, export testing, and disease surveillance. Responds to potential high-consequence or emerging disease events. Develops new diagnostic testing technologies.
Texas Division of Emergency Management	To execute a comprehensive, all-hazard, emergency management program for the state and to assist cities, counties, and state agencies in planning and implementing their emergency management programs. A comprehensive emergency management program includes administering preparatory and post-disaster mitigation of known hazards to decrease their effects; conducting preparedness activities, such as emergency planning, training, and exercises; developing provisions for effective response to emergency situations; and implementing recovery programs for major disasters.

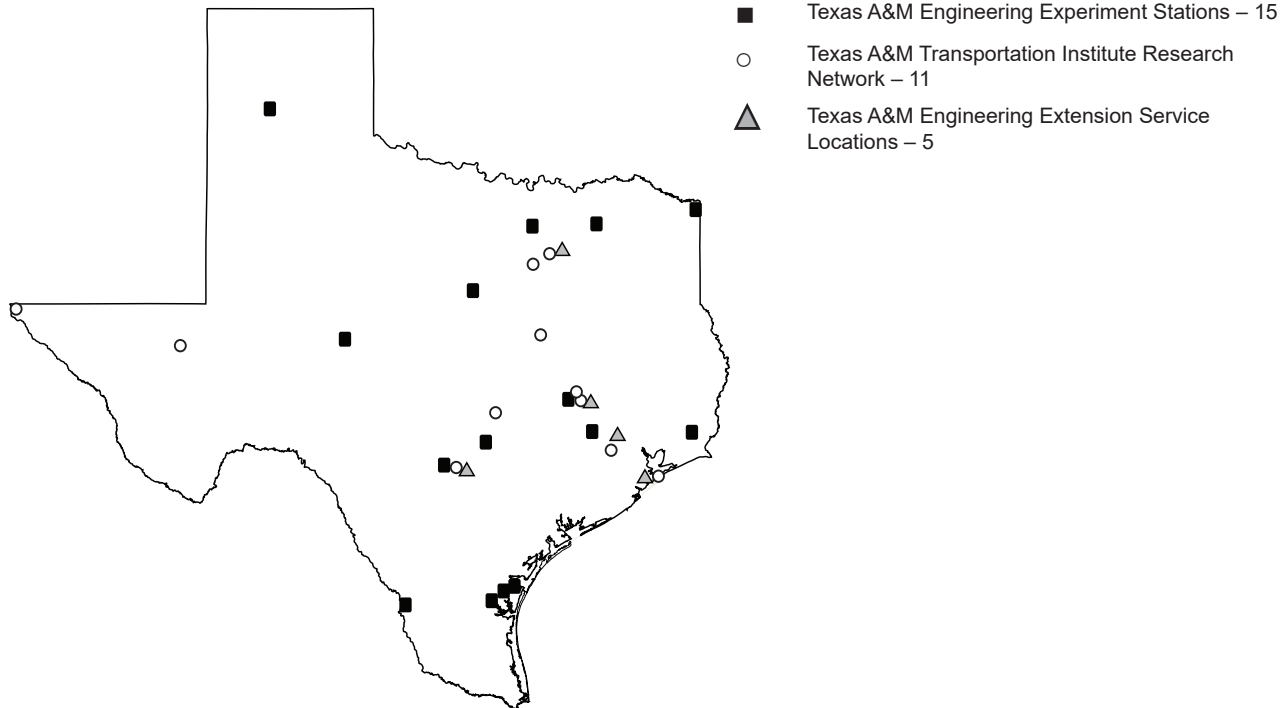
SOURCE: Legislative Budget Board.

**FIGURE 27**  
**TEXAS A&M UNIVERSITY SYSTEM AGRICULTURAL AGENCY LOCATIONS, FISCAL YEAR 2022**



SOURCE: Texas A&M University System.

**FIGURE 28**  
**TEXAS A&M UNIVERSITY SYSTEM ENGINEERING AGENCY LOCATIONS, FISCAL YEAR 2022**



SOURCE: Texas A&M University System.

**FIGURE 29**  
**TEXAS A&M UNIVERSITY SYSTEM AGENCIES FUNDING COMPARED TO OTHER INSTITUTIONS OF HIGHER EDUCATION**  
**FISCAL YEAR 2022**

SIMILARITIES	DIFFERENCES
<p><b>Funding</b></p> <p>Texas A&amp;M University (TAMU) System agencies and other institutions of higher education each have considerable discretion in their budgeting and financial operations due to the receipt of lump-sum appropriations.</p> <p>Both types of institutions are eligible to receive proceeds from the Permanent University Fund for debt service, with some exceptions.</p> <p>Both types are considered institutions of higher education for purposes of employee group health insurance and retirement appropriations.</p> <p>Both types generate and keep 100.0 percent of indirect cost recovery from research and other grants.</p> <p><b>Operations</b></p> <p>Like other institutions of higher education, TAMU System agencies are not required to submit operating budgets or strategic plans.</p> <p>Both types of institutions are embedded statutorily within the System’s institutional framework.</p>	<p><b>Funding</b></p> <p>General academic institutions and health-related institutions receive formula funding for operations, but TAMU System agencies do not.</p> <p>TAMU System agencies do not generate revenue in the same manner or amounts as other higher education institutions.</p> <p><b>Performance Measures</b></p> <p>Performance measures for TAMU System agencies are agency-specific, whereas performance measures for other higher education institutions are standardized.</p>
<p>SOURCE: Legislative Budget Board.</p>	

operations because they receive lump-sum appropriations in the same manner as other institutions of higher education. Six TAMU System agencies are eligible to receive Permanent University Fund (PUF) proceeds for debt service, and these agencies receive \$76.0 million from PUF toward debt service for the 2022–23 biennium. The Texas A&M Veterinary Medical Diagnostic Laboratory and the Texas Division of Emergency Management are not eligible for PUF distributions. Like other higher education institutions, the agencies keep 100.0 percent of their respective indirect cost-recovery income because this income is derived from earnings on federal grants and is held outside the state Treasury. TAMU System agencies also are funded in the same manner as other institutions regarding staff benefits, including employee group health insurance contributions. See the **Benefits** chapter for more information.

Funding methods for the TAMU System agencies differ from other higher education institutions in two major ways. The first way is that the agencies do not receive formula-based funding for operations. Additionally, although some of the agencies charge fees for their services, they do not generate tuition and fees in the same manner or quantity as other institutions of higher education. The agencies generate fees ranging from providing apiary inspection services for Texas honey producers to conducting drug-testing procedures for

the animal racing industry. This fee revenue is appropriated on an estimated basis to the TAMU System agencies. **Figure 29** shows the funding similarities and differences.

The Eighty-seventh Legislature, Regular Session, 2021, maintained formula-based funding for the TAMU System agencies’ infrastructure inside Brazos County. This formula is based on the Texas Higher Education Coordinating Board’s Space Projection Model used by general academic institutions. TAMU System agencies receive funding commensurate with the rate per square foot that Texas A&M University receives for its infrastructure funding. Beginning with the Eighty-fifth Legislature, 2017, a new methodology for infrastructure support outside Brazos County allocated funding to the TAMU System agricultural agencies proportionally by their percentage of total actual square footage. The Eighty-seventh Legislature, Regular Session, 2021, adopted a change to this methodology by distributing the funding at the 2020-2021 biennial expended level by agency.

Direct appropriations for TAMU System agencies total \$1,851.7 million for the 2022–23 biennium, which includes \$497.6 million in General Revenue Funds and General Revenue–Dedicated Funds. In addition to state appropriations, the agencies receive some Federal Funds and private funds that are not included in the General

Appropriations Act (GAA). Federal Funds within the GAA contribute 51.6 percent of TAMU System agencies’ budgets for the 2022–23 biennium, and the majority of those funds are allocated to the Texas Division of Emergency Management (TDEM) and the three engineering agencies—the Texas A&M Engineering Extension Service, the Texas A&M Engineering Experiment Station, and the Texas A&M Transportation Institute.

**FEDERAL FUNDING FOR THE TEXAS DIVISION OF EMERGENCY MANAGEMENT**

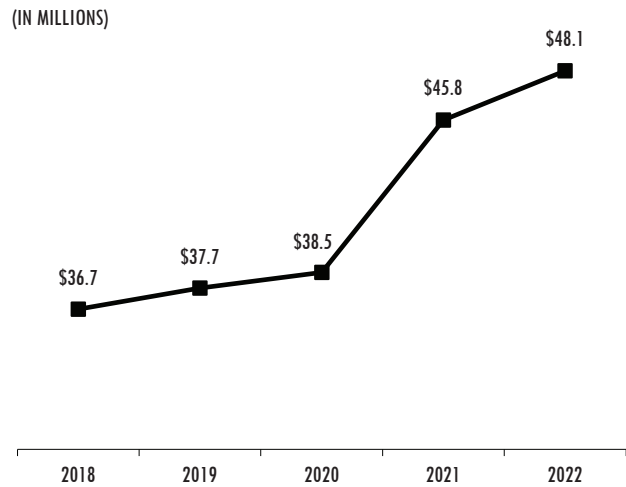
Although other institutions of higher education typically receive Federal Funds on a formula or competitive basis, TDEM draws federal emergency funding due to its role in emergency management and response, primarily from the Federal Emergency Management Agency (FEMA). These funds include pass-through funding and monies leveraged directly by the agency to finance its operations and activities. Based on declared emergencies, local entities and individuals submit projects for FEMA reimbursement. Eligible projects are determined based on damage resulting from each disaster. With support from TDEM, local entities submit reimbursement requests directly to FEMA. TDEM serves as the state’s distributor for approved public assistance but does not make funding decisions. FEMA funds cover at least 75.0 percent of the total cost of proposed projects, and state and local entities cover the remaining costs. This cost-share amount can be adjusted. For example, the funding granted after Hurricane Harvey made landfall in Texas in August 2017 incurred a 10.0 percent state and local match; FEMA funds related to the COVID-19 pandemic response had no required match. TDEM’s base appropriation includes an estimate of Federal Funds that the agency anticipates receiving from previously declared disasters, but the GAA does not include an assumption of the Federal Funds the agency may expect to draw in the event of new disaster declarations.

**FEDERAL GRANT PROGRAMS**

TDEM frequently receives funding through the following federal programs.

**FEMA Public Assistance Grants** – To qualify for FEMA Public Assistance grant funding, the state and federal governments must declare a disaster, and the amount of damage must meet or exceed the assistance threshold, shown in **Figure 30**, as determined by the annual statewide or county multiplier and the relevant population for the affected area, shown in **Figure 31**. This threshold can vary significantly

**FIGURE 30  
TEXAS’ FEDERAL PUBLIC ASSISTANCE THRESHOLD  
FISCAL YEARS 2018 TO 2022**



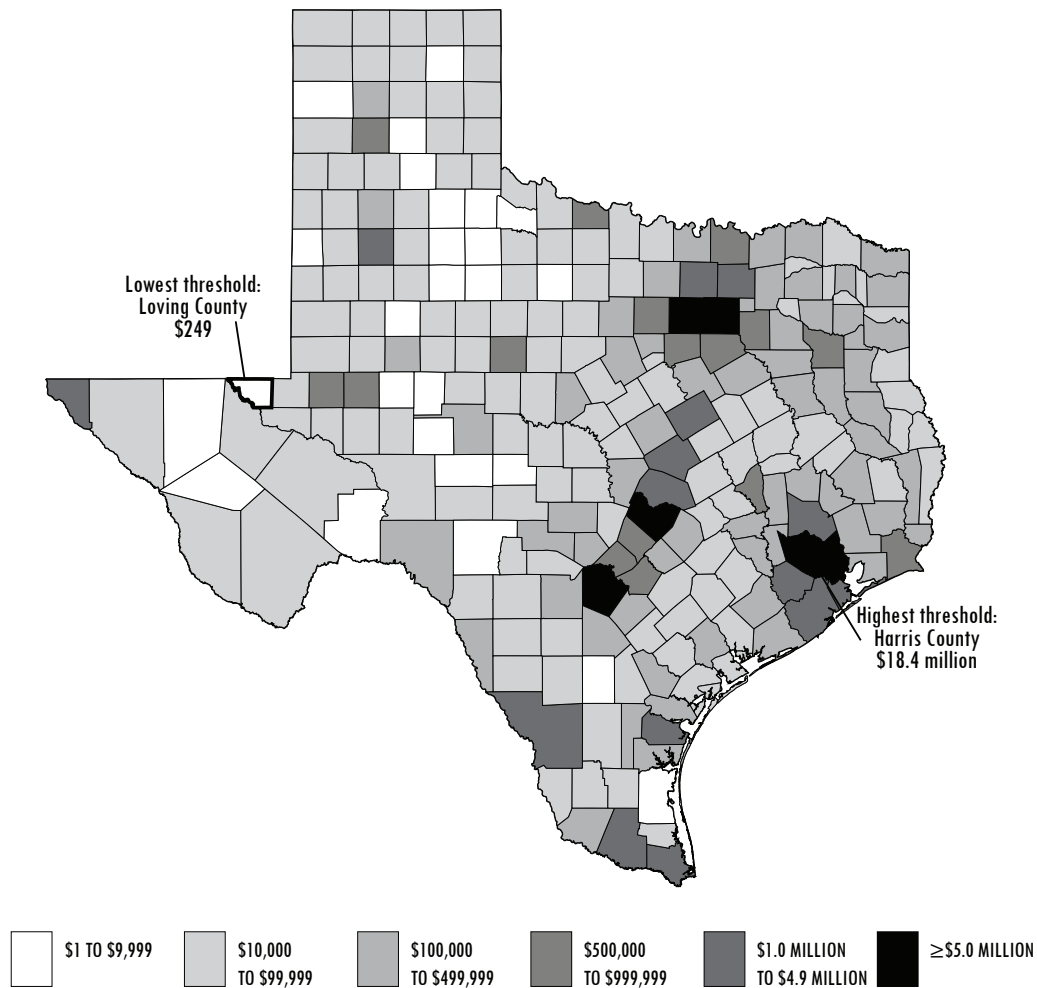
SOURCES: U.S. Census Bureau; Federal Emergency Management Agency.

among states and local entities based on the per-capita multipliers. For example, to qualify for Public Assistance grants, the state would need to incur qualifying damages that exceed \$48.1 million as a result of a declared statewide disaster. These grants provide support to state, territorial, local, and federally recognized tribal governments and certain private nonprofit entities to assist with response-and-recovery activities. The funding is distributed as reimbursements for projects that local and state entities submit to FEMA. The federal contribution to a project is at least 75.0 percent, with a required state and local match to cover the remaining cost. This funding is categorized by the following activities: debris removal; emergency protective measures; roads and bridges; water-control facilities; public buildings and contents; public utilities; and parks, recreational, and other facilities.

**FEMA Hazard Mitigation Grants** – Hazard Mitigation grants are provided to states and local entities after a disaster to support an area’s resilience. This program provides support through multiple funding opportunities, including Flood Mitigation Assistance and the Building Resilient Infrastructure and Communities programs. These funds are part of the recovery process that supports state agencies, local governments and communities, Native American tribes or other tribal organizations, and private nonprofit organizations in the implementation of long-term mitigation measures.

**FEMA Emergency Management Performance Grants** – The Emergency Management Performance Grant (EMPG)

**FIGURE 31**  
**PUBLIC ASSISTANCE GRANTS THRESHOLD BY TEXAS COUNTY, FISCAL YEAR 2022**



SOURCES: U.S. Census Bureau; Federal Emergency Management Agency.

program provides Federal Funds to assist state, local, territorial, and tribal governments in preparing for hazards. The EMPG program supports a comprehensive, all-hazard emergency preparedness system by building and sustaining core capabilities.

**TDEM DISTRIBUTION OF FEDERAL FUNDING**

During disaster response, TDEM serves as informational and logistical support for entities applying for Public Assistance Grants. TDEM draws the funds and then distributes them to local entities. TDEM’s bill pattern in the GAA includes an informational rider that estimates the amount of biennial pass-through funding to better communicate the volume of the agency’s funding that is dedicated for supporting other entities. TDEM also historically has served as a facilitator

during large disasters due to its infrastructure for supporting and communicating with local entities. For example, during the COVID-19 pandemic, TDEM served as the primary distributor of federal relief funding to local entities. TDEM also collaborates with other TAMU System agencies, including the Texas A&M Engineering Extension Service, the Texas A&M AgriLife Extension Service, and the Texas A&M Forest Service.

**FEDERAL FUNDING FOR THE TEXAS A&M FOREST SERVICE**

The Texas A&M Forest Service (TFS) also receives reimbursements from FEMA for several operations. While awaiting final reimbursements from FEMA, TFS typically requests supplemental appropriations to finance its wildfire response operations during the first year of a fiscal biennium.

TFS does not receive appropriations for emergency response in advance of wildfire season. Instead, the agency incurs costs for fire-suppression operations—including aviation, staffing, and materials—and then requests a supplemental appropriation from the Legislature to pay for these operations. The Eighty-sixth Legislature, 2019, provided \$57.3 million in supplemental appropriations to the agency for wildfire and Hurricane Harvey response activities. The Eighty-seventh Legislature, Regular Session, 2021, provided \$56.4 million in supplemental appropriations to TFS for various emergency operations since July 2019, including responding to wildfires, tropical storms, and the COVID-19 pandemic.



# TEXAS HIGHER EDUCATION COORDINATING BOARD

The Texas Higher Education Coordinating Board (THECB) was established in 1965 to provide leadership and coordination of the public higher education system in Texas. THECB administers various student financial aid, federal grants, and state-funded trustee programs; establishes a master plan for higher education; prescribes the role and mission of public higher education institutions; reviews university academic programs, academic and vocational technical programs at community and technical colleges, and health-related programs; and promotes access to and quality in higher education.

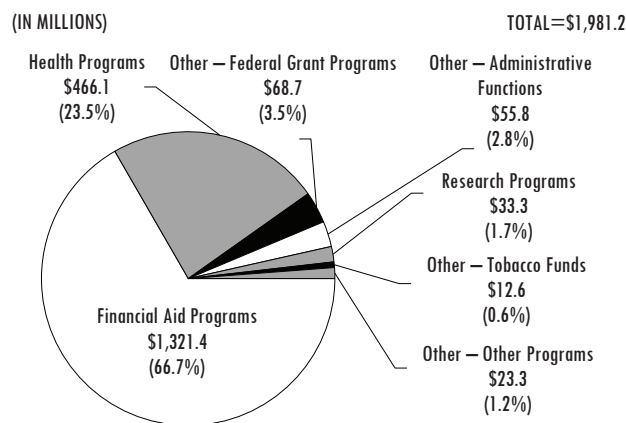
Appropriations for the 2022–23 biennium for the agency total \$1,981.2 million in All Funds. **Figure 32** shows appropriations to THECB by functional area. This amount includes \$1,849.3 million in General Revenue Funds and General Revenue–Dedicated Funds. The All Funds appropriation represents an increase of \$73.6 million, or 3.9 percent, from the 2020–21 biennial expenditure level. The agency was required to implement 5.0 percent reductions in General Revenue Funds and General Revenue–Dedicated Funds in the 2020–21 biennium and the 2022–23 biennium. In some cases, the way the agency chose to implement reductions to programs varied between the two biennia, resulting in increases or decreases among amounts for those programs.

## FINANCIAL AID PROGRAMS

Financial aid programs constitute 66.7 percent of the funding appropriated to THECB in All Funds. **Figure 33** shows the appropriations to these programs. The largest financial aid program is the Toward EXcellence, Access, and Success (TEXAS) Grant program, which supports students attending public institutions. Appropriations for this program total \$866.6 million, a \$43.2 million increase in General Revenue Funds from the 2020–21 biennium. The Tuition Equalization Grant Program supports students attending private institutions. Appropriations to this program total \$178.6 million in General Revenue Funds, an increase of \$8.9 million.

Appropriations for the 2022–23 biennium to the Texas Educational Opportunity Grant (TEOG) – Public Community College Program total \$88.5 million, an

**FIGURE 32**  
**TEXAS HIGHER EDUCATION COORDINATING BOARD**  
**APPROPRIATIONS BY FUNCTIONAL AREA**  
**2022–23 BIENNIUM**



NOTE: Totals may not sum due to rounding.  
 SOURCE: Legislative Budget Board.

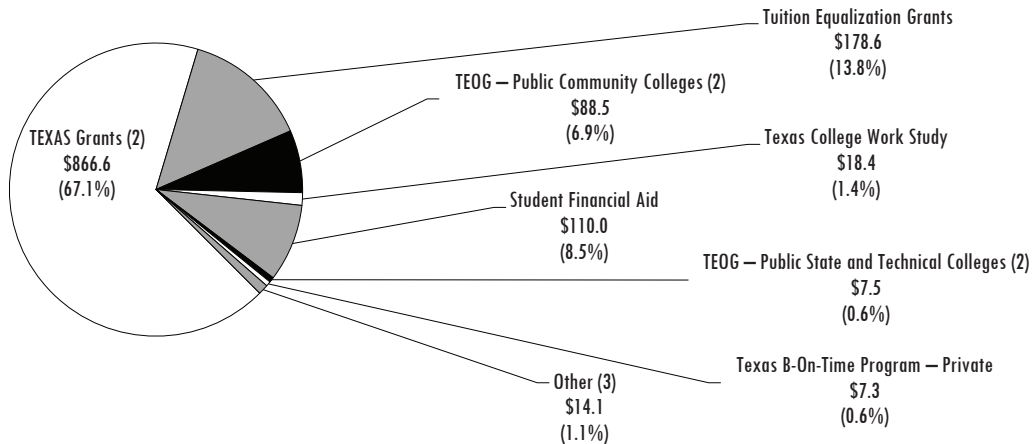
increase of \$4.4 million. Appropriations to the TEOG – Public State and Technical Colleges Program total \$7.5 million, an increase of \$0.4 million. The TEOG – Public Community College Program awards grants to students attending public community colleges. The TEOG – State and Technical Colleges Program awards grants to students attending Lamar State College – Orange, Lamar State College – Port Arthur, Lamar Institute of Technology, and the Texas State Technical colleges. THECB is appropriated an additional \$110.0 million in General Revenue Funds in student financial aid that will be allocated to the TEXAS Grant Program, Tuition Equalization Grant Program, and TEOG programs. Appropriations to the Work Study Program total \$18.3 million, an increase of \$1.8 million in General Revenue Funds due to the agency implementing additional reductions during the 2020–21 biennium.

The Other financial aid programs shown in **Figure 33** include the consolidation of six of the agency’s educational loan repayment programs into one budgetary strategy, Educational Loan Repayment. These programs include the Teach for Texas Loan Repayment Program, Math and Science Scholars Loan Repayment Program, Peace Officer Loan Repayment Program, Physician Education Loan Repayment

**FIGURE 33**  
**TEXAS HIGHER EDUCATION COORDINATING BOARD FINANCIAL AID PROGRAMS APPROPRIATIONS**  
**2022–23 BIENNIUM**

(IN MILLIONS)

TOTAL=\$1,291.0



**NOTES:**

- (1) Totals may not sum due to rounding.
- (2) TEXAS Grants=Toward EXcellence, Access, and Success Grant program; TEOG=Texas Educational Opportunity Grant.
- (3) The Other category includes funding for the Teach for Texas Loan Repayment Program, Texas Armed Services Scholarship Program, Math and Science Scholars Loan Repayment Program, Peace Officer Loan Repayment Program, Physician Education Loan Repayment Program, Loan Repayment Program for Mental Health Professionals, Nursing Faculty Loan Repayment Program, Educational Aide Program, and License Plate Scholarships programs.

SOURCE: Legislative Budget Board.

Program, Loan Repayment Program for Mental Health Professionals, and Nursing Faculty Loan Repayment Program. Appropriations for the Teach for Texas Loan Repayment Program total \$2.6 million, which maintains 2020–21 biennial funding levels. Appropriations for the Math and Science Scholars Loan Repayment Program total \$2.6 million, an increase of \$1.9 million due to the agency identifying additional savings during the 2020–21 biennium. Appropriations for the Peace Officer Loan Repayment Program total \$4.1 million, an increase of \$0.1 million. Appropriations for the Physician Education Loan Repayment Program total \$29.5 million, an increase of \$2.3 million in General Revenue–Dedicated Funds from Account No. 5144, Physician Education Loan Repayment Program, due to the agency implementing more reductions during the 2020–21 biennium. The program provides loan repayment assistance to qualified physicians that practice in designated health professional shortage areas or provide specified service levels for individuals enrolled in Medicaid or the Texas Women’s Health Program. Appropriations for the Loan Repayment Program for Mental Health Professionals and Nursing Faculty Loan Repayment Program total \$2.1 million and \$2.9 million, respectively.

Other financial aid programs include funding for the Texas Armed Services Scholarship Program, the Educational Aide Program, and license plate scholarships programs. Appropriations for the Texas Armed Services Scholarship Program total \$6.7 million, an increase of \$0.5 million. Appropriations for the Educational Aide Program total \$1.0 million, an increase of \$0.3 million due to the agency identifying additional savings during the 2020–21 biennium. Appropriations for license plate programs total \$0.5 million, which maintains 2020–21 biennial funding levels.

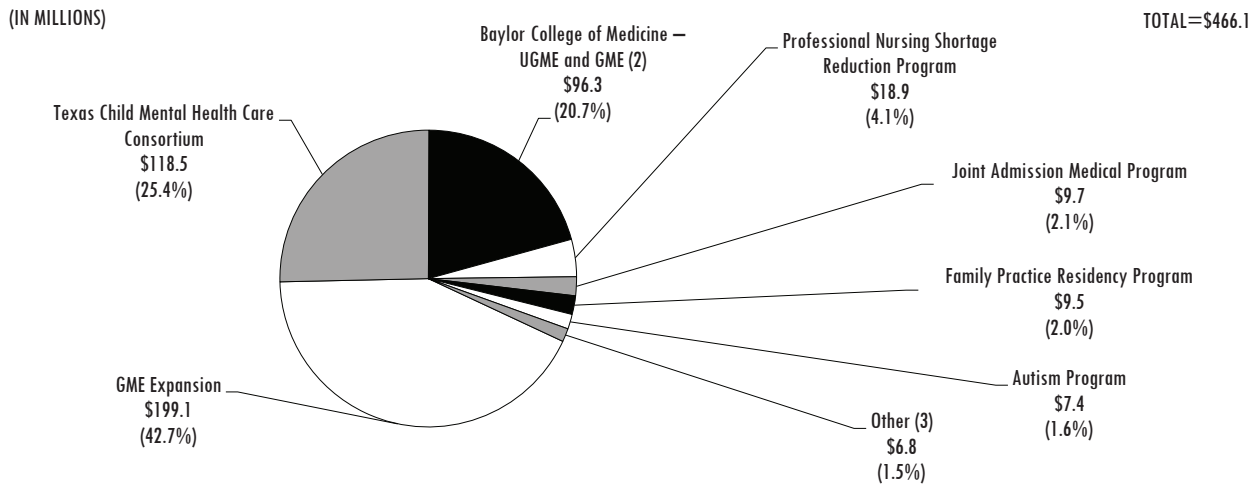
**RESEARCH PROGRAMS**

The 2022–23 biennial appropriations to the Texas Research Incentive Program, which matches certain gifts at emerging research universities, total \$33.3 million in General Revenue Funds, a decrease of \$1.7 million as part of the agency’s 5.0 percent reductions. This program was not reduced during the 2020–21 biennium.

**HEALTH PROGRAMS**

Figure 34 shows appropriations for THECB-administered health-related programs, which total \$466.1 million for the 2022–23 biennium and include funding for Baylor College

**FIGURE 34**  
**TEXAS HIGHER EDUCATION COORDINATING BOARD HEALTH-RELATED PROGRAM FUNDING**  
**2022–23 BIENNIUM**



NOTES:

- (1) Totals may not sum due to rounding.
  - (2) UGME=Undergraduate Medical Education; GME=Graduate Medical Education.
  - (3) The Other category includes funding for the Preceptorship Program and the Physician and Nursing Trauma Care Program.
- SOURCE: Legislative Budget Board.

of Medicine. This amount is an increase of \$68.8 million in All Funds from the 2020–21 biennial spending levels, primarily due to increased funding for the Graduate Medical Education (GME) Expansion program and the Texas Child Mental Health Care Consortium.

Total funding for the GME Expansion program is \$199.1 million, an increase of \$45.9 million. The amount includes \$177.1 million in General Revenue Funds and \$22.0 million in distributions from the Permanent Fund Supporting Graduate Medical Education (Other Funds). GME Expansion supports onetime graduate medical education planning and partnership grants, funding to enable new or existing GME programs to increase the number of first-year residency positions, funding for unfilled residency positions, and continuation awards for programs that received grants during fiscal year 2015. Total funding for the Texas Child Mental Health Care Consortium is \$118.5 million, an increase of \$19.5 million. Funding is allocated for the following initiatives: (1) Child Psychiatry Access Network, which provides consultation services and training opportunities for pediatricians and primary care providers; (2) Texas Child Health Access Through Telemedicine for the establishment or expansion of telemedicine or telehealth programs to identify and assess behavioral health needs and provide access to mental

healthcare services; (3) Workforce Expansion to support community psychiatric workforce expansion projects; (4) Child and Adolescent Psychiatry Fellowships, which expand the number of child and adolescent psychiatry fellowship positions in Texas and the number of these training programs at health-related institutions; and (5) research that coordinates mental health research across the state university systems in accordance with the statewide behavioral health strategic plan developed by the Texas Health and Human Services Commission. Senate Bill 8, Eighty-seventh Legislature, Third Called Session, 2021, provides additional federal funding for the program. See the **Federal Grant Programs** section for more information.

THECB receives appropriations of \$9.5 million for the Family Practice Residency Program for the 2022–23 biennium, a decrease of \$0.5 million due to the agency implementing a 5.0 percent reduction. The program was not reduced during the 2020–21 biennium. THECB allocates the funds based on the certified number of residents training in each approved family practice residency program.

Appropriations for the Preceptorship Program total \$2.9 million in General Revenue Funds, an increase of \$0.1 million. The program provides stipends to participating medical students as incentive for them to pursue careers in the primary care field. Appropriations for the Autism

Program total \$7.4 million, a decrease of \$0.2 million. The program supports autism research centers at institutions of higher education that provide evidence-based behavioral services and training.

The Sixty-first Legislature, Regular Session, 1969, authorized THECB to contract with Baylor College of Medicine, a private institution, for the education of undergraduate medical students who are Texas residents. The amount that Baylor College of Medicine receives in appropriations trustee to THECB is based statutorily on the average annual state tax support per undergraduate medical student at the University of Texas Medical Branch at Galveston and the University of Texas Southwestern Medical Center at Dallas. The Eighty-seventh Legislature, Regular Session, 2021, appropriated \$79.4 million in General Revenue Funds to Baylor College of Medicine for the 2022–23 biennium, an increase of \$6.4 million. Baylor College of Medicine also receives GME funding totaling \$16.8 million in General Revenue Funds for the 2022–23 biennium, an increase of \$0.2 million.

Appropriations to the Joint Admission Medical Program (JAMP) total \$9.7 million in General Revenue Funds, a decrease of \$0.5 million due to the agency's 5.0 percent reductions. This program was not reduced during the 2020–21 biennium. JAMP provides assistance to prepare select economically disadvantaged undergraduate students at general academic institutions for medical school. Funding for the 2022–23 biennium for the Professional Nursing Shortage Reduction Program is \$18.9 million in General Revenue Funds, an increase of \$0.3 million due to the transfer of administrative funding during the 2020–21 biennium. The agency is required to distribute this funding based on increases in nursing graduates in an equitable manner to institutions with nursing programs, including institutions graduating their first nursing classes. Funding for this program previously was allocated among three programs: (1) increases in nursing graduates; (2) nursing programs with graduation rates of 70.0 percent or greater; and (3) nursing programs with graduation rates of less than 70.0 percent. The agency is required to provide recommendations to the Eighty-eighth Legislature, 2023, regarding how best to incorporate quality metrics and weighting into the program.

Appropriations for the Physician and Nursing Trauma Care Program total \$3.9 million, which maintains 2020–21 biennial funding levels.

## OTHER PROGRAM AREAS

Appropriations to the agency represent the transfer of the OnCourse Program from the University of Texas at Austin to THECB, resulting in an increase of \$9.5 million in General Revenue Funds and 29.0 full-time equivalent positions. The OnCourse Program provides educators, students, and parents access to extensive resources for college and career planning.

Funding for the Developmental Education Program and Advise TX program has been consolidated into the College Readiness and Success strategy. Appropriations to the Developmental Education Program total \$2.6 million in General Revenue Funds, an increase of \$0.3 million. Appropriations for the Advise TX Program total \$3.9 million, an increase of \$0.1 million in General Revenue Funds.

Appropriations for the Bilingual Education Program total \$1.5 million, a decrease of \$0.2 million. Appropriations for the Open Educational Resources Program total \$0.5 million, which maintains 2020–21 biennial funding levels.

## FEDERAL GRANT PROGRAMS

The total funding to the agency for the Career and Technical Education Program is \$68.7 million in Federal Funds, an increase of \$7.0 million from the 2020–21 biennium. The federal Carl D. Perkins Vocational and Technical Education Act funds this program for the improvement of vocational and technical programs at postsecondary institutions. The funding is trustee to THECB from the State Board of Education through the U.S. Department of Education.

The agency received \$175.0 million in funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act through the Governor's Emergency Education Relief (GEER) funds during the 2020–21 biennium. THECB used these funds to maintain the agency's need-based financial aid programs (\$57.0 million), Emergency Educational Grants (\$46.5 million), Reskilling/Upskilling Grant Program (\$46.5 million), Data Infrastructure Modernization (\$15.0 million) and Online Learning Support (\$10.0 million).

The agency received an additional allocation of CARES Act funding through GEER in fiscal year 2021 totaling \$94.6 million for Expanding Capacity for High Demand High-Value Education (\$48.1 million), Financial Aid Enrollment Support (\$28.5 million) and Data Security and Advising Portals (\$18.0 million).

The agency received an allocation of \$93.3 million in Federal Funds from the Coronavirus Response and Relief Supplemental Appropriations Act through GEER funds funding during fiscal year 2022. These funds will support Loan Repayment for Nurses and Financial Aid for Nursing Students (\$25.0 million); Financial Aid Investments (\$12.5 million); Expand Workforce-aligned, Short-term Credentials in High-need Areas (\$17.5 million); Student Success and Advising (\$30.3 million); Commercial Driver Training and Supply Chain initiatives; (\$3.0 million) and Data Infrastructure and Cybersecurity (\$5.0 million).

Senate Bill 8, Eighty-seventh Legislature, Third Called Session, 2021, provides additional Federal Funds to the agency, including \$113.1 million in additional funding for the Texas Child Mental Health Care Consortium, \$15.0 million for the Texas Reskilling and Upskilling Through Education program, and \$20.0 million for performance-based funding for at-risk students at comprehensive regional universities. THECB also receives \$1.0 million in Federal Funds for the rural veterinarian grant program.

### TOBACCO SETTLEMENT FUNDS

Legislation passed by the Seventy-sixth Legislature, 1999, established the following funds and endowments from the state's settlement with tobacco companies: the Permanent Health Fund for Higher Education; permanent endowments for each of the individual health-related institutions; the Permanent Fund for Higher Education Nursing, Allied Health, and Other Health-related Programs; and the Permanent Fund for Minority Health Research and Education. THECB provides grants from the Permanent Fund for Higher Education Nursing, Allied Health, and Other Health-related Programs to Texas higher education institutions that offer upper-level instruction and training in those fields.

THECB provides grants from the Permanent Fund for Minority Health Research and Education to institutions that conduct research or educational programs that address minority health issues or that form partnerships with minority organizations, colleges, or universities to conduct research and educational programs to address minority health issues. The total funding for these two programs is \$5.9 million.

Additionally, THECB is trustee of Baylor College of Medicine's endowment fund and Baylor College of Medicine's share of the Permanent Health Fund.

Appropriations for these two funds total \$6.7 million for the 2022–23 biennium.

### ADMINISTRATIVE FUNCTIONS

THECB has two budgetary strategies for administration: Agency Operations and Student Loan Programs, which are shown in **Figure 32** as the combined Other – Administrative Functions. The Agency Operations function includes the Commissioner of Higher Education's office, accounting services, and network operations. The Student Loan Programs strategy provides funding for the agency's loan programs, including the Texas Armed Services Scholarship Program. Total funding for these functions for the 2022–23 biennium is \$55.8 million in All Funds, an increase of \$0.5 million, which is due primarily to the agency receiving funding for its relocation to the Capitol Complex in Austin (\$0.7 million), offset by anticipated decreases in donations (\$0.1 million).



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## APPENDIX A – FREQUENTLY ASKED QUESTIONS

***Q: Would an increase in tuition revenue replace a corresponding amount in General Revenue Funds in the higher education formulas, or would the revenue remain within the institution?***

**A:** It depends on legislative decision-making.

For example, assume that the Legislature amended statute requiring institutions to charge nonresident tuition in circumstances where they previously had waived the nonresident tuition rate. For the applicable biennium, institutions would benefit fully from the increase in tuition revenue, assuming the formula calculation did not include a projected increase in tuition.

Assuming the same number of students (semester credit hours) enrolled despite changes in tuition policy and that the result of charging nonresident tuition generated \$100.0 million in additional tuition revenue, three options are available to the Legislature:

- (1) decrease General Revenue Funds in the formulas by \$100.0 million – in this scenario, the formula rate would not change, and every dollar increase in tuition revenue would result in a dollar decrease in General Revenue Funds;
- (2) keep General Revenue Funds appropriations constant and calculate the additional tuition revenue through the formulas – the formula funding rate would increase, and appropriations from All Funds would increase for each institution, including those institutions that generated no additional tuition revenue; or
- (3) keep General Revenue Funds formula appropriations at the same level, and authorize individual institutions to retain the additional tuition revenue they generate outside the formula allocation.

***Q: Are all tuition and fee revenues collected by institutions of higher education included in the General Appropriations Act (GAA)?***

**A:** No. None of the tuition and fee revenues collected by community colleges are appropriated.

For general academic institutions, an estimate of the revenue from certain tuitions and fees, such as statutory tuition pursuant to the Texas Education Code, Section 54.051; board-authorized tuition pursuant to Section 54.008; laboratory fees pursuant to Section 54.501; and certain other fees are appropriated in the GAA as General Revenue–Dedicated Funds, specifically estimated Other Educational and General Income. Other tuition and fees, including designated tuition (the Texas Education Code, Section 54.0513) and incidental fees (Section 54.504), are not included in the GAA and, therefore, are not referred to as state funding. Federal Funds also are not appropriated to the general academic and health-related institutions.

***Q: Is a decrease in enrollment the only reason an institution would be eligible for hold-harmless formula funding?***

**A:** No. The Legislature determines whether it will appropriate hold-harmless funding in response to changes in formula funding. A decrease in total enrollment is one reason an institution could be eligible for the funding. Additionally, due to semester-credit-hour weights used in calculating formula funding, a change in the type of student enrollment, regardless of total enrollment, also could make an institution eligible for hold-harmless funding.

***Q: What does it mean to be a research university or an emerging research university?***

**A:** The Texas Higher Education Coordinating Board categorizes institutions according to their general academic missions and certain key academic indicators such as size, research expenditures, and other factors. The current categories for institutions include research, emerging research, doctoral, comprehensive, and master's universities.

For more information, please see the THECB website at [www.highered.texas.gov](http://www.highered.texas.gov).

***Q: What is the space model?***

**A:** In 1992, the Texas Higher Education Coordinating Board approved the Space Projection Model for higher education institutions in Texas for public universities to assess the net assignable square feet of educational and general space an institution needs. Five categories are incorporated into the

model: teaching, library, research, office, and support space. Space needs for auxiliary purposes such as dormitories or athletics are not included in the model. Square footage amounts are assigned based on various elements within each category, including the number of students and their program levels and the amount of research expenditures. The space model first was incorporated into the funding formulas for general academic institutions in 1997.

***Q: What are Organized Activities?***

**A:** General academic institutions have a funding strategy in the GAA called Organized Activities. These activities or enterprises are programs within or related to instructional departments that are intended primarily to give training to students. Examples include a university farm, preschool program, optometry clinic, and training for lifeguards.

***Q: What is proportionality?***

**A:** Pursuant to the Eighty-seventh Legislature, GAA, 2022–23 Biennium, Article IX, Section 6.10, the legislative intent of proportionality is to “maximize balances in the General Revenue Fund” by aligning salary-funding sources with benefits-funding sources. This alignment effectively means that the Legislature limits contributions from General Revenue Funds for benefits only to those employees whose salaries are paid with General Revenue Funds. Proportionality requires employee health and retirement benefits to be paid in proportion to the funding source of those salaries. Institutions must submit an accounting policy statement (APS) for Benefits Proportional by Method of Finance (APS 011) to the Texas Comptroller of Public Accounts. This document provides a structure by which state and local contributions are adjusted to achieve the fiscal year’s fund proportionality.



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## APPENDIX B – TUITION AND FEE PROVISIONS

The laws governing tuition and fees at institutions of higher education are found in the Texas Education Code, Chapter 54, including a limited number of rules that relate to tuition and fees charged by community and technical colleges. Chapter 54 includes statutes regarding statewide tuition and fee authority, rules regarding residency for tuition and fee purposes, various exemptions for tuition and fees from nonresidency status, and specific fee authority for individual institutions. The full text of each provision can be found at [statutes.capitol.texas.gov/Docs/ED/htm/ED.54.htm](http://statutes.capitol.texas.gov/Docs/ED/htm/ED.54.htm). Isolated instances apart from this statute authorize boards of regents to charge for specific services provided to students.

The following sections highlight some of the provisions related to tuition and fees and indicate whether the related revenue is included in the General Appropriations Act (GAA).

### REVENUE INCLUDED IN THE GENERAL APPROPRIATIONS ACT

Tuition and fee revenue included in the GAA as General Revenue Dedicated–Funds is referred to as Other Educational and General Income. The amounts are estimated; therefore, the amount of revenue generated is the actual amount available to the institution to spend. The following provisions in the Texas Education Code govern this revenue:

- Section 54.051, Tuition Rates (statutory tuition) – Resident tuition for undergraduate students is \$50 per semester credit hour for academic year 2022–23; tuition for nonresident students at general academic, medical, and dental institutions is based on the average of nonresident tuition rates in the five most populous states other than Texas. The Texas Higher Education Coordinating Board calculates this rate each academic year;
- Section 54.008, Tuition Rate Set by Governing Board (tuition authorized by the governing board of each institution, Board Authorized Tuition) – Applies to graduate programs. Subsection (d) specifies that the rate is not to be used in the GAA as an offset to General Revenue Funds; it is distributed across formula budget strategies after the formula calculation; and

- Section 54.501 Laboratory Fees – The fee amount must be sufficient to cover the general costs of laboratory materials and supplies used by a student. It cannot be less than \$2 nor more than \$30 per semester, and it cannot exceed the actual cost of materials and supplies.

### REVENUE NOT INCLUDED IN THE GENERAL APPROPRIATIONS ACT

The following provisions in the Texas Education Code govern tuition and fee revenue that is not included in the GAA:

- Section 54.0513, Designated Tuition – This statute defines designated tuition as an institutional fund, which means that the revenue is not considered part of Educational and General Funds. The statute specifies that this revenue is not to be used in the GAA as a way to offset General Revenue Funds. The institution’s governing board can waive designated tuition for a student, pursuant to Section 54.261;
- Section 54.503, Student Services Fees – These fees are intended for activities that are separate from the regularly scheduled academic functions of the institution and directly involve or benefit students. Except for the University of Texas at Austin, which is addressed in Section 54.513, and components of the University of Houston System, addressed in Section 54.5061, total compulsory student services fees cannot exceed \$250 per semester. The revenue is separate from Educational and General Funds;
- Section 54.504, Incidental Fees – The institution’s governing board sets the fee, which reasonably must represent the actual cost of the materials or services for which the fee is collected. Examples of incidental fees include late registration, library fines, microfilming fees, thesis or doctoral manuscript reproduction or filing fees, and declined-check charges; and
- Section 55.16, Board Responsibility – The institution’s governing board is authorized to “fix and collect rentals, rates, and charges.”



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## APPENDIX C – GLOSSARY

### APPROPRIATION METHODOLOGIES

**Direct Appropriation** – This appropriation is the actual appropriation, either estimated or sum certain, listed in an institution’s bill pattern in the General Appropriations Act (GAA).

**Indirect Appropriation** – This appropriation is made on behalf of an institution but not listed in that institution’s bill pattern in the GAA. Examples include appropriations to the Available University Fund, the Higher Education Fund, and Support for Military and Veterans Exemptions, all of which ultimately are allocated to institutions.

**Estimated Appropriation** – This appropriation provides authority to a state agency or institution of higher education for actual expenditures to vary from the appropriation amount in the GAA. For example, if the actual amount of revenue supporting an appropriation is less than the estimated appropriated amount, the agency or institution is limited to the lesser amount. If more revenue is generated than the estimated appropriated amount, the agency or institution has the authority to spend the greater amount.

**Sum-certain Appropriation** – A sum-certain appropriation in the GAA limits the appropriation to the fixed amount specified in the institution’s bill pattern in the GAA.

**Lump-sum Appropriation** – The Texas Education Code, Section 61.059(k), authorizes discretion in funds appropriated to institutions of higher education. A lump-sum appropriation is a single amount that is unrestricted, which means that it can be used for various purposes. The GAA provides an Informational Listing of Appropriated Funds describing each institution’s lump-sum appropriation. Institutions are not required to spend their appropriations within specified strategies. One exception is the Capital Construction Assistance Projects Revenue Bonds strategy, which represents the appropriation related to debt service on related bonds. These funds must be spent as appropriated, or they lapse back to the Treasury.

### FUND TYPES

**Educational and General Funds** – The Texas Education Code, Section 51.009(c), defines Educational and General

Funds as including the following sources: net tuition; special course fees charged pursuant to the Texas Education Code, Section 54.051(e) and (l); lab fees; student teaching fees; hospital and clinic fees; organized activity fees; and proceeds from the sale of educational and general equipment.

**Institutional Funds** – The Texas Education Code, Section 51.009(b), defines institutional funds as those that are not Educational and General Funds. An example of an institutional fund is designated tuition, pursuant to the Texas Education Code, Section 54.0513. These funds are not included in the GAA.

**Local Funds** – The Texas Education Code, Section 51.009(a), defines local funds as net tuition, certain special course fees, lab fees, student teaching fees, hospital and clinic fees, organized activity fees, proceeds from the sale of educational and general equipment, and indirect cost-recovery fees. This revenue is accounted for as Educational and General Funds and is included in the GAA.

**Other Educational and General Income (or Funds)** – The GAA includes some revenue from tuition and fees collected by institutions of higher education (General Revenue–Dedicated Funds). These revenue sources are considered Other Educational and General Income and are appropriated in the GAA as General Revenue–Dedicated Funds. This type of funding includes the following sources: statutory tuition, pursuant to the Texas Education Code, Section 54.051; board-authorized tuition (Section 54.008); laboratory fees (Section 54.501); and certain other fees.

**Patient Income** – Health-related institutions that operate hospitals or dental clinics generate patient income from services rendered. The revenue is not appropriated to the health-related institutions, but it is shown in informational riders in the GAA for the affected institutions.

### METHODS OF FINANCE

**General Revenue Funds** – The nondedicated portion of the General Revenue Fund is the state’s primary operating fund. Most state tax revenue, many state fees, and various other sources of revenue are deposited as nondedicated General Revenue Funds.

**General Revenue–Dedicated Funds** – These funds within General Revenue Funds are dedicated and may be appropriated only for specific items. For institutions of higher education, the majority of appropriations from General Revenue–Dedicated Funds consists of tuition and fee revenue generated by the institutions. These revenues include the tuition and fee revenue included as Other Educational and General Income, defined previously, and board-authorized tuition, pursuant to the Texas Education Code, Section 54.008.

**Federal Funds** – These appropriations include grants, allocations, payments, or reimbursements received from the federal government by institutions. For higher education, only Federal Funds received by the Texas Higher Education Coordinating Board and the Texas A&M University System agencies are appropriated in the GAA.

**Other Funds** – These state funds are not included in General Revenue Funds or General Revenue–Dedicated Funds. For institutions of higher education, these funds include appropriations from the Available University Fund.

## **OTHER ITEMS**

**Indirect Cost Recovery** – Indirect costs, as defined by the Texas Comptroller of Public Accounts, are incurred for a common or joint purpose that benefits more than one cost objective. Institutions negotiate a percentage of a grant with the federal government for Indirect Costs. Several factors affect the calculation, including building and equipment use allowance; operations and maintenance; general, departmental, and sponsored projects administration; and library costs.