

BILL ANALYSIS

Senate Research Center

C.S.H.B. 3001
By: Morrison (Duncan)
Finance
5/21/2005
Committee Report (Substituted)

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The Higher Education Assistance Fund (HEAF) was created by constitutional amendment as a counterpart to the Permanent University Fund (PUF) for Texas public institutions of higher education receiving funds from the PUF. Distributions are made to eligible institutions via formula allocation. The formula is based on three elements: space deficit, facility condition, and institutional complexity.

Once every five years, the legislature is authorized to update the institutional formula elements and reallocate HEAF distributions. In addition, every ten years the legislature is authorized to increase the HEAF appropriation to ensure the fund's purchasing power is maintained.

From fiscal year 1986 through fiscal year 1995, the legislature appropriated \$100 million each year for distribution. Based on recommendations from the Texas Higher Education Coordinating Board (board), the 76th Legislature, Regular Session, 1999, increased the annual HEAF appropriation to \$175 million where it remains today.

Based on equity considerations with the AUF and inflation costs and enrollment growth during the past ten years, and to help the institutions that receive HEAF meet goals in *Closing the Gaps*, the board recommended in October, 2004 that the annual HEAF allocation be increased by \$87.5 million.

C.S.H.B. 3001 maintains the current level of funding and maintains funding distributions.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

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

(a) Amends the amounts allocated by the formula in accordance with this section from funds appropriated by Section 17(a), Article VII, Texas Constitution, to eligible institutions of higher education each state fiscal year beginning with the state fiscal year ending August 31, 2007. Deletes existing text providing an additional allocation for Texas Southern University.

(a-1) Amends the amounts allocated by the formula in accordance with this section from funds appropriated by Section 17(a), Article VII, Texas Constitution, to eligible institutions of higher education each fiscal year beginning with the state fiscal year ending August 31, 2006.

(a-2) Provides that Subsection (a-1) and this subsection expire September 1, 2006.

SECTION 2. Amends Section 62.024, Education Code, to provide that in accordance with Section 17(a), Article VII, Texas Constitution, for each state fiscal year beginning with the state fiscal year ending August 31, 2007, the amount of the annual constitutional appropriation under this subsection is increased to \$262.5 million, rather than \$175 million.

SECTION 3. Amends Section 62.027(c), Education Code, to provide that the increase provided by the amendment to Section 62.024 enacted by the 79th Legislature, Regular Session, 2005, in the amount of the appropriation made under Section 17(a), Article VII, Texas Constitution, for each state fiscal year beginning with the state fiscal year ending August 31, 2007, constitutes the increase in accordance with Section 17(a) that the legislature considers appropriate for the five-year period beginning September 1, 2005, rather than 1995. Deletes existing text relating to the increase being valid and effective.

SECTION 4. Repealer: Section 62.021(e) (relating to allocations to certain public institutions of higher education), Education Code.

SECTION 5. (a) Effective date September 1, 2005, except as provided by Subsections (b) and (c) of this section.

(b) Effective date, Section 2: September 1, 2006, subject to Subsection (c) of this section.

(c) Provides that Sections 2 and 3 take effect if this Act is approved by a vote of two-thirds of the membership of each house.

SECTION 6. Effective date: September 1, 2005.