

Texas Legislature Examines Higher Ed Funding After Rejecting Re-Regulation of Tuition

The 85th Texas Legislature (2017) considered but did not enact two major bills related to Texas higher education finance: Senate Bills (SB) 19 and 543.

- **SB 19** would have frozen four-year public university tuition and fees at 2016-17 levels.
- **SB 543** would have prohibited institutions from raising tuition at a rate greater than the rate of inflation unless they met at least six of 11 performance targets and would have prohibited any tuition increase larger than three percent.

Although the Legislature ultimately did not pass these bills (SB 19 passed the Senate), it did create a committee to explore higher education financing in the interim before the 86th Legislature. The **Joint Interim Committee on Higher Education Formula Funding** was charged to examine the two methods through which the Legislature directly appropriates funds to public universities:

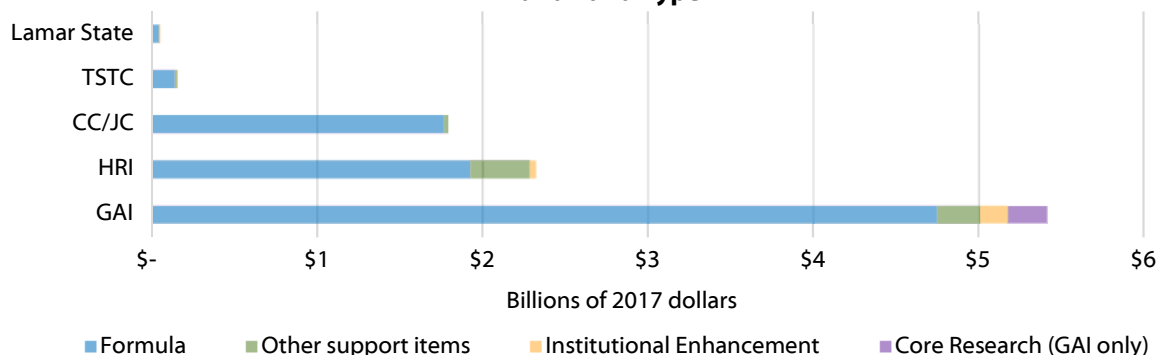
1. **Formula funding**

- Based on rates applied to various budget categories, like Instruction and Operations, Educational and General Space, and Contact Hours, but spending is not limited to those purposes
- Some differences based on institutional sector, notably that the formula for Technical State Colleges is entirely based on the incomes of graduates relative to the minimum wage, and ten percent of community college formula funding is based on academic success metrics

2. **Non-formula funding (“Support items”, etc.)**

- Must be used for explicitly specified purposes, though some funds offer flexibility
- Includes Support items (formerly “special items”), which include Institutional Enhancement, instruction support, public service items, research, health care, and residency training items; and general research funds (e.g. Research Development Fund, Competitive Knowledge Fund)

2018-19 Texas Legislative Higher Education Appropriations (All Funds) by Sector and Fund Type



The mix of formula and non-formula funding allocated in the 2018-19 General Appropriations Act varied significantly between institutional sectors. By volume, non-formula funding was highest for General Academic Institutions (GAI), but by proportion it was highest for Health-Related Institutions (HRI) and Lamar State Colleges. Appropriations to GAIs (including system offices) consisted of about \$4.75 billion in formula funding and \$666 million in non-formula funding for a non-formula funding percentage of about 12 percent. For HRIs, non-formula funding of \$398 million constituted about 17 percent of appropriations, given \$1.93 billion in formula funding. Non-formula funding is also about 17 percent of the appropriations for Lamar State Colleges, which totals about \$53.4 million, but 11 percent of appropriations for Texas State Technical Colleges (TSTC) and only 2 percent of the \$1.8 billion appropriated to community and junior colleges (CC/JC).

Sources: Texas Legislative History: <https://capitol.texas.gov/>; Joint Interim Committee: <http://www.senate.state.tx.us/cmte.php?c=940>; 2018-19 Texas Higher Education Appropriations: Legislative Budget Board, General Appropriations Act for the 2018-19 Biennium, http://www.lbb.state.tx.us/Documents/GAA/General_Appropriations_Act_2018-2019.pdf; Summary of Higher Education Non-formula Support Items, http://www.lbb.state.tx.us/Documents/Publications/Presentation/Summary_Higher_Education_Non-formula_Support.pdf; Texas Higher Education Coordinating Board, Overview of Formula Funding, <http://www.thecb.state.tx.us/index.cfm?objectid=4EA741D3-C76D-FBC5-04F664C233E8802B>

