



87TH LEGISLATIVE SESSION

Budget & Policy Outcomes

UTSYSTEM.EDU



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OVERVIEW

As University of Texas institutions began planning for the 87th Legislative Session, the state was facing a global pandemic, an international oil and gas industry crisis and a challenging budget outlook. However, the Comptroller released a revised revenue estimate in January 2021 that provided a more optimistic outlook for the current and 2022-23 biennium. Rather than the significant decrease in funding many had predicted in the early days of the pandemic, the new estimate anticipated that state general revenue funding would remain flat. As a result, UT institutions ended the session in a stronger financial position than initially anticipated.

In early 2021, Governor Greg Abbott communicated his goals for the session during his State of the State address, outlining five legislative priorities:

1. Expanding broadband internet access,
2. Preventing local governments from “defunding” the police,
3. Reforming the bail system,
4. Protecting election integrity, and
5. Providing civil liability protections for businesses that remained open during the pandemic.

The Governor later expanded his legislative priorities with emergency items to address the energy failures that occurred during the devastating winter storm that hit Texas in February.

By the end of the regular session, legislators passed bills related to all the governor’s priorities except election integrity and bail system reform. Governor Abbott announced he will call a special session in July to address those two issues.

A special session in the fall is also planned to address decennial redistricting, which is required by the new census results. Texas will gain two congressional seats, and state house and senate lines must be redrawn. In addition, the governor has indicated that the special session will address the allocation of federal COVID relief revenues as the specific funding information available during the regular session was incomplete.

BUDGET SUMMARY

Most state funding allocated to higher education institutions is based on funding formulas. The Texas Legislature sets the formula rates based on available funding, with consideration for a variety of factors that include enrollment changes. The Legislature this session funded the higher education formulas and incorporated enrollment growth, which resulted in almost \$180 million in new funding for UT institutions in 2022-2023, a 6% increase over the last biennium. For comparison, during the 2019 legislative session, the Legislature funded a 7.78% increase that resulted in \$250 million more for UT institutions.



The following is a summary of the 2022-2023 biennium funding approved for UT academic and health-related institutions.

ACADEMIC INSTITUTIONS

Formula funding

Increased overall by \$138 million (11.2%) over the 2020-21 biennium.

- UT institutions benefitted from the Legislature’s decision to add \$300 million in new funding to the Instruction and Operations formula and the Infrastructure formula.
 - o UT Arlington increased \$15 million (7.6%)
 - o UT Austin increased \$27 million (7.0%)
 - o UT Dallas increased \$30.7 million (19.4%)
 - o UT El Paso increased \$8 million (6.9%)
 - o UT Rio Grande Valley increased \$24 million (17.9%)
 - o UT Permian Basin increased \$3.6 million (18.6%)
 - o UT San Antonio increased \$25.8 million (15.7%)
 - o UT Tyler increased \$3 million (6.7%)

Research funding

Three funding formulas support research at academic institutions: the Texas Research University Fund, which is designated specifically for UT Austin and Texas A&M University; the Core Research Support Fund, which supports emerging research universities (UT Arlington, UT Dallas, UT El Paso, UT San Antonio); and the Comprehensive Research Fund, which is available for all other UT academic institutions (UT Permian Basin, UT Rio Grande Valley, UT Tyler). All three formulas are based on research expenditures.

Funding levels for the three academic research formulas have remained the same since the 2016-17 biennium. While the funding levels did not change, research expenditures at UT institutions relative to other institutions resulted in an overall increase of \$3.2 million (14.3%) for UT institutions compared to the 2020-21 biennium.

Non-formula support items

State funding for non-formula support items, formerly known as “special items,” is allocated directly to institutions for specific programs or projects. The Legislature cut overall funding for non-formula support items for the 2022-23 biennium by 5% of the amount originally appropriated in 2020-21, a decrease of \$10.6 million for UT institutions.

For academic institutions, which were directed to return 5% of their general revenue after appropriations were made last session, this was a continuation of the 2020-21 reduction. But while existing support for non-formula items were cut, the Legislature approved additional funding for the following projects at specific UT institutions:

- **UT Arlington - \$4 million for the Center for Rural Health and Nursing** to develop video technology and tele-health infrastructure that supports partnerships between the UT Arlington College of Nursing and Health Innovation and underserved rural communities in Texas. The goal is to increase access to high quality health care and expand the health care workforce in rural Texas, providing clinical education and training to help local residents become registered nurses and nurse practitioners.

- **UT Austin - \$6 million for the Liberty Institute**, a political center dedicated to the study of free markets, economic development, private enterprise and personal liberty.
- **UT San Antonio - \$5 million for Cybersecure Advanced Manufacturing**, leveraging the university's partnership with the Department of Energy-funded Cybersecurity Manufacturing Innovation Institute and the National Security Collaboration Center to position UTSA as the hub for research, innovation, and workforce development focused on creating resilient and cybersecure supply chains.
- **UT Tyler – \$200,000 for infrastructure on the Palestine Campus**, which provides the only access to a university-level education in the area. The campus offers students in more economically distressed areas of the state onsite access to high quality, high demand programs. Infrastructure improvements are needed to improve both physical and high-speed internet access.

In addition, the following two items were excluded from the 5% cuts, preserving funding at appropriated 2020-21 levels:

- UT San Antonio - \$100,000 for the Institute of Texan Cultures to support efforts to strengthen the institute's role as an educational center and museum.
- UT Austin Marine Science Institute - \$350,000 for reduction restoration to continue repairs to buildings damaged by Hurricane Harvey

HEALTH INSTITUTIONS

Formula funding

Like academic institutions, health institutions receive most of their state funding based on formulas, although the factors that determine the rates differ in some ways. For the next biennium, overall formula funding for health-related institutions increased by 0.5%, resulting in \$44 million in additional revenue compared to the 2020-21 biennium.

The Legislature maintained funding rates in three of the formulas used to calculate funding for health-related institutions: the Instruction & Operations formula rate, which is based on full-time student enrollment; the Infrastructure Support formula, which funds physical plant support and utilities and is based on an institution's predicted square feet; and the Graduate Medical Education formula, based on the number of medical residents in an accredited program. The fourth formula used to calculate funding for health institutions, the Research Enhancement formula rate, which is based on medical and clinical research expenditures, decreased slightly.

Mission specific formulas

A "mission specific" formula provides support to help institutions achieve their stated specific mission. These formulas originated in 2002 for UT Health Science Center at Tyler and UT MD Anderson Cancer Center. The 86th Legislature added pilot program mission-specific formulas for UT Medical Branch, UT Southwestern, UTHealth Houston and UT Health San Antonio for the 2020-21 biennium. The four new mission-specific formulas were retained as permanent for 2022-23. While formula rates remained almost the same, the Legislature did not appropriate funding to keep up with the growth in the mission-specific formulas. As a result, all six UT health institution mission-specific formula received the same funding as they did in 2020-21.

Non-formula support items

Like the academic institutions, some revenue for health institutions is directed at what was once called “special items” funded outside the formulas. The Legislature’s decision to reduce overall funding for non-formula support items by 5% resulted in \$6.2 million less for UT health institutions. However, UT Southwestern received \$10 million in additional funding for a School of Public Health.

UT SYSTEM ADMINISTRATION

In 2002, UT Health San Antonio established the Laredo Regional Campus to provide training opportunities for students interested in health careers in the region. Laredo and its surrounding region is now one of the fastest-growing areas in the state, with a greater need for expanded degree and certificate programs to better serve the community’s health care and educational needs. To support this expanded programming and facilitate involvement from multiple UT institutions, Senate Bill 884 moves operational control of the campus from UT Health San Antonio to the UT System Administration. Three UT institutions already are planning to offer new degree programs at the new UT System center, which will be housed at the Laredo Regional Campus. The Texas Legislature also transferred the approximately \$2.4 million appropriation for the facility to the UT System Administration and approved an additional \$4.8 million appropriation for new programming.

OTHER BUDGET ITEMS

FY 2021 supplemental appropriations

In addition to establishing the budget for the 2022-23 biennium, the Legislature made some adjustments to the budget for the current biennium (2020-21).

- In May 2020, the Governor, Lieutenant Governor and Speaker of the House directed academic institutions and other state agencies to reduce spending to mitigate the Covid-related economic downturn. The 5% reduction was made official in House Bill 2. Reductions in House Bill 2 totaled \$76.3 million for academic institutions and the UT System Administration.
- Appropriation of \$500,000 in general revenue to UTHealth (Houston) to recruit faculty for the UTHealth Behavioral Science Center.
- Appropriation of \$1.6 million in general revenue to UT Austin to correct a formula calculation error for the 2020-21 biennium.
- Appropriation of \$123.7 million in general revenue to the Texas Department of Criminal Justice for correctional managed healthcare provided by UTMB.
- Appropriation of \$276.5 million from the Economic Stabilization Fund to the Health and Human Services Commission to complete construction of the Austin State Hospital and San Antonio State Hospital replacement campuses and \$44.8 million to plan construction of new state hospitals in the Dallas area as part of the state’s efforts to transform mental health services system in Texas. The UT System was selected to partner with the Health and Human Services Commission in leading the design and construction of these new hospitals.

Other budget appropriations:

- **Governor's University Research Initiative (GURI)** – This fund provides matching grants to help Texas public universities and colleges recruit top researchers from around the world. The allocation of \$40 million for 2022-23 remained the same as 2020-21.
- **Cancer Prevention Research Institute of Texas (CPRIT)** - The largest state cancer research investment in the history of the United States, CPRIT awards grants for innovative cancer-related research, product development and prevention. CPRIT was created in 2008 with an initial commitment of \$3 billion, now increased to a total 20-year commitment of \$6 billion. Legislative action is required to make the funds available, and the Legislature allocated \$600 million for 2022-23, which was equal to the 2020-21 allocation. UT institutions have received grant awards totaling more than \$1.4 billion since CPRIT was established.
- **Texas Child Mental Health Consortium** – Staffed by the UT System through a contract with the Texas Higher Education Coordinating Board, the Texas Child Mental Health Care Consortium was created to leverage the expertise and capacity of higher education health-related institutions to improve mental health care for children and adolescents. The Legislature allocated \$118.5 million for the program, an increase of \$19 million over 2020-21.
- **Texas Grants** – Officially known as the Toward EXcellence, Access, and Success Grant Program, Texas Grants enables institutions to provide financially needy students with assistance to attend college. The 2020-21 funding levels were maintained with restoration of the 5% general revenue cut that equaled \$43 million. The funding will serve approximately 56% of students who meet the initial eligibility requirements. An additional \$110 million allocated to multiple financial aid programs, including Texas Grants, will give the Texas Higher Education Coordinating Board more flexibility to serve students.
- **Graduate Medical Education Expansion** – This grant program supports efforts to increase first-year residency positions and establish new residency programs. The allocation for the coming biennium was set at \$199 million, an increase of \$48 million, which included restoration of the previous 5% reduction.
- **Texas Research Incentive Program (TRIP)** – This program provides matching funds to assist eligible public institutions in leveraging private gifts and endowments to enhance research activities. The Texas Legislature cut funding by 5% from 2020-21 budget, resulting in an appropriation of \$33.3 million for the biennium. No funding was provided for the backlog of gifts to be matched previously submitted.



HIGHER EDUCATION POLICY ISSUES OF INTEREST

The following bills directly impact higher education and health-related institutions.

NAME IMAGE LIKENESS (SB 1385 BY CREIGHTON)

This bill allows college athletes to earn compensation for their name, image, or likeness. The legislation, which is similar to policies already approved in other states and at the federal level, is intended to ensure Texas universities can remain competitive in recruiting top athletes. The bill establishes a framework to protect both athletes and universities. To help athletes understand the business and financial side of their endorsements, institutions must offer a financial literacy and life skills workshop. Inducements may not be used as a recruitment tool and endorsements cannot be offered in exchange for athletic performance. Contracts must be disclosed to the university to ensure there are no potential conflicts with university contracts and that university-owned property is not included in the endorsement. Endorsements for alcohol, tobacco, gambling, and other specified activities are restricted. The bill went into effect July 1.

GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE (SB 1525 BY CREIGHTON)

This bill expands access to the Governor's University Research Initiative (GURI), which provides matching funds for public higher education institutions to use in recruiting distinguished researchers in science, technology, engineering, mathematics, and medicine from around the world. The Texas Economic Development Office, which administers GURI in consultation with the Texas Higher Education Commissioner, will recommend the types of national academic recognitions that determine who may qualify as a "distinguished researcher," with the goal of increasing eligibility. The bill also recognizes more universities as significant research institutions and establishes an advisory board to assist the Governor's office with the review and evaluation of the grant applications. The bill takes effect immediately.

TEXTBOOK TRANSPARENCY (HB 1027 BY PARKER)

Under this bill, institutions must provide students with information relating to the costs of course materials, including the retail price of textbooks, whether the material is an Open Educational Resource, and any fees required to access the materials.

VENDOR PERFORMANCE TRACKING (SB 799 BY NELSON)

The Vendor Performance Tracking System, which was created to provide the state procurement community with a comprehensive tool for evaluating vendor performance, requires state agencies to track and report vendors' performance scores for purchases over \$25,000. This bill explicitly exempts institutions of higher education from those reporting requirements.