

SUBJECT: New allocations to the Higher Education Assistance Fund (HEAF)

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 17 ayes — Junell, Delisi, Cook, H. Cuellar, R. Cuellar, Davis, Gallego, Glaze, Gray, Heflin, Hernandez, Johnson, Kubiak, McDonald, Mowery, Raymond, Swinford

0 nays

10 absent — Carona, Clemons, Coleman, Conley, Greenberg, Haggerty, Harris, Ogden, Park, S. Turner

WITNESSES: For — None

Against — None

On — Bill Beckham and Don Brown, Texas Higher Education Coordinating Board

BACKGROUND: The Higher Education Assistance Fund (HEAF) was created in a 1985 amendment to the Constitution (Art. 7, sec. 17) and aids 26 institutions of higher education not eligible for aid from the Permanent University Fund (PUF). The fund received \$100 million a year in general revenue until August 31, 1994. Beginning September 1, 1995, the HEAF will receive annual appropriations of \$175 million. The institutions use allocations from the fund to buy land, construct, equip, repair and rehabilitate buildings and buy capital equipment and library books and materials.

In November 1993 Texas voters approved a constitutional amendment adding the Texas State Technical College System (TSTC) and its campuses, but not its extension centers or programs, to the list of institutions that receive HEAF funds. The annual allocation to TSTC cannot exceed 2.2 percent of the annual HEAF appropriations.

The 1993 constitutional amendment also permits the Legislature by two-thirds vote of each house, to increase the amount of the HEAF appropriations for each five-year period, beginning September 1, 2000.

The 1993 constitutional amendment expanded the use of HEAF funds to include buildings, facilities, other permanent improvements and capital equipment used jointly for educational and general activities and for auxiliary enterprises to the extent of their use for educational and general activities.

HEAF funds are allocated according to a formula based on space needs, condition of facilities and the type of institution.

**DIGEST:**

HB 2462 would increase the allotments to the 26 institutions of higher education eligible to receive HEAF funds, beginning September 1, 1995. It would also allocate 2.2 percent of the \$175 million annual allocation to the Texas State Technical College System and provide separate allocations for the University of North Texas Health Science Center at Fort Worth and Texas Tech University Health Sciences Center and to Texas Southern University to comply with the Texas Desegregation Plan.

The \$175 million allocation would be divided as follows:

East Texas State University	\$ 5,572,558
Lamar University	\$ 9,468,548
Midwestern State University	\$ 2,862,203
University of North Texas	\$20,217,740
UT—Pan American and UT at Brownsville	\$10,174,500
Stephen F. Austin State University	\$ 6,468,273
U-North Texas Health Science Center	\$ 3,640,000
Texas State University System	\$23,181,556
Texas Southern University	\$ 8,199,288
Texas Tech University	\$16,887,085
Texas Tech Health Science Center	\$ 7,735,000
Texas Woman's University	\$ 6,849,160
University of Houston System	\$37,726,969
Texas A&M-Corpus Christi, Texas A&M-Kingsville, Texas A&M International and West Texas A&M University	\$12,167,120
Texas State Technical College	\$ 3,850,000

The bill would require the Texas Higher Education Coordinating Board to conduct a study to adjust HEAF allocations for the five-year period beginning September 1, 2000, and present its recommendations to the Legislature prior to the 1999 regular legislative session. The coordinating board would be required to include in the study a survey of educational and general building quality if the Legislature provides necessary funding for the survey.

If the Legislature should fail to make adjustments to the HEAF allocations prior to September 1, 2000, the allocations set in HB 2462 would continue until August 31, 2005. The bill would require the coordinating board to conduct another HEAF study prior to the 2005 legislative session for the 10-year period beginning September 1, 2005.

The bill would implement the provisions of the constitutional amendment approved by the voters in November 1993.

HB 2462 would take effect immediately if approved by two-thirds of the membership of each house.

**SUPPORTERS  
SAY:**

HB 2462 would set the allotments for the HEAF schools, including TSTC, for each year for the next 10 years. The bill would require the coordinating board to conduct a HEAF allocation study to be presented to the Legislature before the 1999 legislative session. The Legislature could increase the HEAF allocations beginning September 1, 2000, if approved by two-thirds of the membership of both houses.

The HEAF was created in 1985 to end the inequity of the former dual-class system for college construction funding. Most schools in the University of Texas and Texas A&M systems are entitled to a constitutionally dedicated source of funding — dividends, interest and other income from the Permanent University Fund (PUF). The HEAF is intended to provide a similar constitutional fund for non-PUF schools by setting aside a certain amount annually for distribution to the eligible institutions.

Instead of paying the HEAF allocations directly from the general revenue fund, the 73rd Legislature authorized an additional \$50 million a year to be set aside beginning September 1, 1995, for a new higher education endowment until the fund totals \$2 billion, after which earnings from the fund will be distributed to the institutions eligible for HEAF aid.

OPPONENTS  
SAY:

No apparent opposition.

NOTES:

The companion bill, SB 1285 by Montford, is pending in the Senate Education Committee after a hearing on April 20.