



LEGISLATIVE BUDGET BOARD

Financing Higher Education in Texas Legislative Primer

LEGISLATIVE BUDGET BOARD STAFF

FIFTH EDITION

SUBMITTED TO THE 83RD TEXAS LEGISLATURE

FEBRUARY 2013

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Legislative Primer

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INTRODUCTION

The Texas public higher education system encompasses 38 general academic teaching institutions (including law schools); 50 community and junior college districts; one technical college system with four main campuses; three lower-division state colleges; and nine health-related institutions, which operate a total of eight state medical schools, three dental schools, two pharmacy schools, and other allied health and nursing units. In addition, there are seven agencies that are components of the Texas A&M University System.

Private institutions in Texas include 38 four year colleges and universities, two junior colleges, one medical school, and one accredited independent law school.

Public institutions serve about 91 percent of the approximately 1.4 million students enrolled in higher education in Texas.

The Texas Higher Education Coordinating Board (THECB) was established in 1965 and is composed of nine members appointed by the Governor for staggered six-year terms. THECB provides leadership and coordination for the Texas higher education system to promote excellence in higher education.

THECB's responsibilities include assessing Texas' system of higher education and developing recommendations for

improvements to the Governor, the Legislature, and institutions. THECB reviews and recommends changes in formulas regarding 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 different institutional levels and oversees the state's student financial aid programs.

The Eighty-second Legislature, 2011, appropriated \$22.1 billion in the General Appropriations Act (GAA) for the 2012–13 biennium to support Texas higher education, a 2.5 percent decrease from the 2010–11 biennium (**Figure 1**). **Figure 2** illustrates the sources of revenue, also referred to as methods of finance, for the \$22.1 billion in state appropriations. Generally, only small portions of the Federal Funds received by institutions of higher education are reflected in the General Appropriations Act (GAA).

State funds are allocated to public institutions and agencies of higher education in a number of ways:

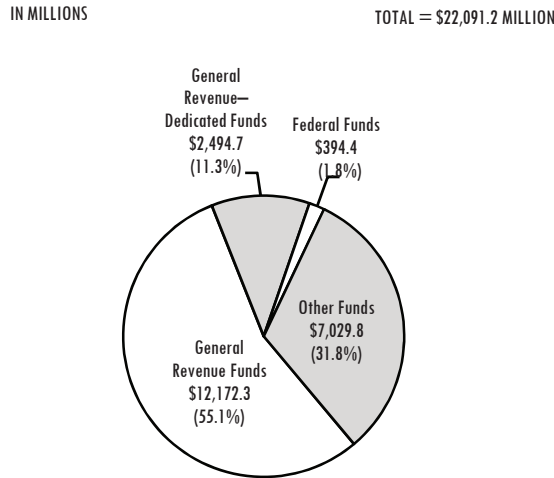
- direct appropriations through funding formulas and other direct appropriations based on identified needs;
- indirect appropriations not made directly to an institution in its portion of the appropriations bill, but used to cover costs related to the institution's staff

**FIGURE 1
HISTORICAL SPENDING FOR HIGHER EDUCATION
2002–03 TO 2012–13 BIENNIA**

| IN MILLIONS | ESTIMATED/ BUDGETED 2002–03 | ESTIMATED/ BUDGETED 2004–05 | ESTIMATED/ BUDGETED 2006–07 | ESTIMATED/ BUDGETED 2008–09 | ESTIMATED/ BUDGETED 2010–11 | APPROPRIATED 2012–13 |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------|
| General Revenue Funds | \$10,233.7 | \$10,194.4 | \$11,176.2 | \$12,721.6 | \$12,996.6 | \$12,172.3 |
| General Revenue–Dedicated Funds | \$2,067.5 | \$2,396.2 | \$2,146.7 | \$2,257.8 | \$2,488.9 | \$2,494.7 |
| Other Funds | \$3,249.4 | \$4,053.0 | \$5,002.3 | \$6,197.4 | \$6,467.4 | \$7,029.8 |
| Federal Funds | \$267.4 | \$339.7 | \$333.1 | \$309.0 | \$694.1* | \$394.4 |
| TOTAL, HIGHER EDUCATION | \$15,818.0 | \$16,983.3 | \$18,658.3 | \$21,485.8 | \$22,647.0 | \$22,091.2 |
| Percentage of Statewide Total | 13.7% | 13.4% | 12.9% | 12.5% | 12.0% | 12.7% |
| STATEWIDE TOTAL ALL ARTICLES | \$115,678.6 | \$126,710.2 | \$145,059.4 | \$172,131.5 | \$187,516.5 | \$173,484.2 |

*Includes \$326.9 in ARRA funds.
SOURCE: Legislative Budget Board.

**FIGURE 2
METHODS OF FINANCE FOR HIGHER EDUCATION
INSTITUTIONS – INCLUDING BENEFITS
2012–13 BIENNIUM**



SOURCE: Legislative Budget Board.

for health insurance, retirement benefits, and social security; and

- other indirect appropriations, which are subsequently allocated to an institution, such as the Available University Fund.

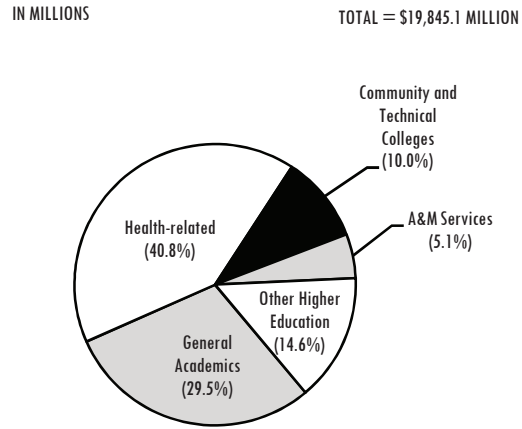
The \$22.1 billion appropriation includes funds trustee to THECB for distribution to institutions. For the 2012–13 biennium, THECB received more than \$1,001.3 million in trustee funds. The majority of these funds are allocated for student financial assistance. Those remaining provide funding for the Baylor College of Medicine, incentives for the general academic institutions, and the Texas Research Incentive Program.

Figure 3 shows the percentage of state funding appropriated to the various types of institutions, excluding the allocation for employee insurance and retirement benefits.

State appropriations to THECB that benefit private institutions include: financial assistance programs (e.g., Tuition Equalizations Grants, B-On-Time and related programs) for Texas residents attending approved private institutions; per student funding at the Baylor College of Medicine; and grant funds from the Advanced Research Program, a competitive grant program.

Within a group, such as general academic institutions, state appropriations are allocated in a consistent manner. Different

**FIGURE 3
APPROPRIATION BY TYPE OF INSTITUTION – EXCLUDING
BENEFITS
2012–13 BIENNIUM**



SOURCE: Legislative Budget Board.

groups of institutions, such as general academic institutions and community colleges, differ in how the Legislature allocates state appropriations. For example, all general academic institutions receive funding generated from Instruction and Operations and Infrastructure formulas, while community colleges have one formula for Instruction and Administration.

While the General Revenue Fund’s portion of direct appropriations to institutions is “sum certain,” the appropriation of Patient Income and Other Educational and General Income (primarily tuition) is “estimated.” This means that if patient income or tuition revenue generated by an institution is greater than the amount included in the GAA, the institution can spend at a level beyond the amounts in the GAA. If an institution generates less tuition revenue, it must spend less.

The GAA establishes a key distinction for higher education entities differentiating them from other state agencies. Statute (Texas Education Code Section 61.059(k)) calls for each higher education institution to receive a lump sum appropriation for base funding. The GAA expands this concept and provides each higher education institution with one lump sum appropriation. For each institution, the GAA provides an “Informational Listing of Appropriated Funds” below each institution’s lump sum appropriation. This information reflects how the state funds are “allocated,” not how they must be spent. Higher education institutions are not bound to spend their appropriation within the specified

strategy, as are regular state agencies. An exception to this is debt service on tuition revenue bonds. Section 6, Rider 9 in the Higher Education Special Provisions, GAA, page III-233 limits the use of debt service to pay debt service for tuition revenue bonds. Any amount of an appropriation not spent must be returned to the General Revenue Fund at the end of the fiscal year.

There are some limitations on how institutions can spend appropriated funds. The Texas Constitution (Article VII, Section 18(i) and 17 (j)) prohibits, with limited exceptions, the use of General Revenue Funds for construction projects. However, the Texas Legislature, by two-thirds vote in each house, may opt to use General Revenue Funds for construction projects if there is a natural disaster or demonstrated need for the project.

Also, GAA (Section 6, Rider 8b), Special Provisions Relating Only to State Agencies of Higher Education, (page III-233) prohibits the use of appropriated funds for auxiliary purposes, such as athletics and parking. Section 54 of the Special Provisions (page III-246) also restricts the use of funds in the Research Development Strategy to purposes defined in Texas Education Code, Section 62.091. Community/junior colleges can spend General Revenue Funds only for instruction and administrative costs (Texas Education Code, Section 130.003(c)).

This report presents the different ways that public institutions and agencies allocate state appropriations and highlights the flexibility with which these appropriations may be expended. References to appropriated funds are based on the Eighty-second Legislature, Regular Session, 2011, 2012–13 biennium GAA, as adjusted for certain appropriations made in Article IX (General Provisions) of the GAA; contingency appropriations; other bills making appropriations in fiscal years 2012 and 2013; and Governor vetoes. Amounts for fiscal year 2011 have been adjusted for the Supplemental Appropriations Bill, House Bill 4, Eighty-second Legislature, Regular Session, 2011 and Senate Bill 2, First Called Session, 2011. Each category of institution—general academic, health-related, community and technical colleges, and Texas A&M System agencies—is presented separately. The only THECB funds detailed in this report are funds that have been distributed to public institutions.

FUNDING GENERAL ACADEMIC INSTITUTIONS

OVERVIEW

General academic institutions are listed in the Texas Education Code (61.003). **Figure 4** lists the institutions and their enrollments. All of the institutions have common goals of instruction, research, and public service; however, each has a unique set of academic offerings and a unique regional or statewide mission.

General academic institutions receive direct appropriations via funding formulas and non-formula appropriations. Direct appropriations are identified in the informational strategies of each institution's bill pattern in the General Appropriations Act (GAA). As mentioned earlier, appropriations are made to institutions as a lump sum. The informational strategies reflect how state funds are "allocated," not how they must be spent. This means that, with a few exceptions, higher education entities, unlike other state agencies, are not required to spend appropriations within a specified funding strategy.

The appropriation levels in each strategy reflect different revenue sources, such as General Revenue Funds, General Revenue–Dedicated Funds (mostly tuition and fee revenue), and Other Funds. These revenue sources are referred to as the "method of finance." **Figure 5** illustrates the method of finance for \$7.4 billion in appropriations for general academic institutions, including a number of the indirect appropriations referenced in the next paragraph, but does not include appropriations for employee retirement benefits.

There are also appropriations that benefit institutions that are not reflected in the bill pattern of individual institutions, including the Higher Education Fund, the Available National Research University Fund, Available University Fund, certain employee benefits, and funds trustee to the Texas Higher Education Coordinating Board (THECB).

Figure 6 presents the percentage of funding related to each of these direct and indirect appropriations. All of these appropriations are further described in the following pages.

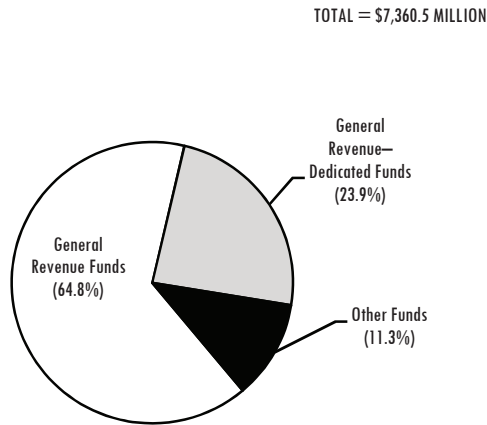
In addition, general academic institutions have access to funds not reflected in the state appropriations process. Examples of this include indirect cost recovery; certain tuition and fees, such as "designated tuition" and "incidental fees" (both are described in Appendix B); auxiliary operations (i.e., revenue from athletics, student services fees, bookstore, and parking); and grants and gifts.

**FIGURE 4
PUBLIC GENERAL ACADEMIC INSTITUTIONS CERTIFIED
FALL 2011 HEADCOUNT**

| INSTITUTION | HEADCOUNT |
|--|----------------|
| Angelo State University | 7,077 |
| Lamar University | 14,021 |
| Midwestern State University | 5,811 |
| Prairie View A&M University | 8,425 |
| Sam Houston State University | 17,527 |
| Stephen F. Austin State University | 12,702 |
| Sul Ross State University | 1,985 |
| Sul Ross State University Rio Grande College | 971 |
| Tarleton State University | 9,893 |
| Texas A&M International University | 7,037 |
| Texas A&M University | 49,861 |
| Texas A&M University – Central Texas | 2,096 |
| Texas A&M University at Galveston | 2,035 |
| Texas A&M University – Commerce | 10,726 |
| Texas A&M University – Corpus Christi | 10,162 |
| Texas A&M University – Kingsville | 6,731 |
| Texas A&M University – San Antonio | 3,554 |
| Texas A&M University – Texarkana | 1,907 |
| Texas Southern University | 9,730 |
| Texas State University – San Marcos | 34,087 |
| Texas Tech University | 32,149 |
| Texas Woman's University | 14,503 |
| The University of Texas at Arlington | 33,439 |
| The University of Texas at Austin | 51,112 |
| The University of Texas at Brownsville | 8,625 |
| The University of Texas at Dallas | 18,864 |
| The University of Texas at El Paso | 22,582 |
| The University of Texas at San Antonio | 30,968 |
| The University of Texas at Tyler | 6,628 |
| The University of Texas of the Permian Basin | 3,831 |
| The University of Texas – Pan American | 19,034 |
| University of Houston | 39,820 |
| University of Houston – Clear Lake | 8,185 |
| University of Houston – Downtown | 12,918 |
| University of Houston – Victoria | 4,330 |
| University of North Texas | 35,694 |
| University of North Texas at Dallas | 2,032 |
| West Texas A&M University | 7,886 |
| STATEWIDE TOTALS | 568,938 |

SOURCE: Legislative Budget Board.

**FIGURE 5
METHOD OF FINANCE FOR GENERAL ACADEMICS (DIRECT AND INDIRECT)
2012–13 BIENNIUM**



SOURCE: Legislative Budget Board.

FORMULA FUNDING

Nearly 57.3 percent of state appropriations for general academic institutions are allocated via two funding formulas and two supplements: Instruction and Operations Formula; Teaching Experience Supplement; Infrastructure Formula;

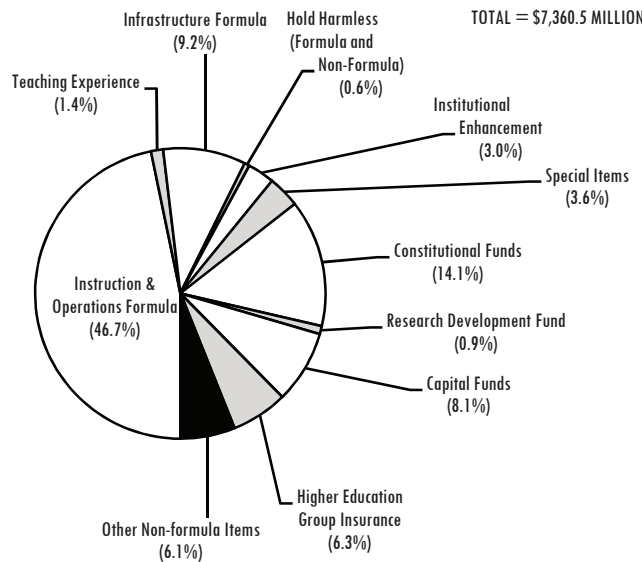
and Small Institution Supplement. The formulas and supplements are direct appropriations and are primarily based on enrollment.

The formula appropriations consist of General Revenue Funds and some Other Educational and General Income (Other E&G). Other E&G includes specific tuition and fee revenue (see Appendix B for a listing of tuition and fee provisions). The inclusion of certain tuition and fee revenue in the formula funding calculation is referred to as an “All Funds methodology” to formula funding. The most significant tuition revenue included in the formula calculation is tuition charged in accordance with Texas Education Code Section 54.051 Interim Tuition Rates (referred to as statutory tuition). The statutory tuition rate for the 2012–13 academic year is \$50 per semester credit hour for Texas residents. The corresponding tuition rate for a nonresident student is the average nonresident tuition charged to a Texas resident at a public university in each of the five most populous states.

Of the \$4.0 billion allocated by the general academic formulas and supplements, nearly 72.8 percent consists of General Revenue Funds, with the remainder consisting of General Revenue–Dedicated Funds (Other E&G).

A portion of Other E&G income is set aside for specific purposes or allocated to non-formula based strategies in the

**FIGURE 6
APPROPRIATIONS FOR GENERAL ACADEMIC INSTITUTIONS (DIRECT AND INDIRECT)
2012–13 BIENNIUM**



SOURCE: Legislative Budget Board.

institution's bill pattern. For example, institutions set aside a portion of their tuition to provide Texas Public Education Grants (TPEG). TPEG are grants designed to help students cover their tuition, fees, and textbook costs when these expenses exceed a certain portion of their families' contributions to their educations. This set-aside revenue is not part of the tuition and fee revenue used to calculate the funding formulas.

INSTRUCTION AND OPERATIONS FORMULA

About 81.5 percent of formula funds flow through the Instruction and Operations Formula (\$3,271.6 million for the 2012–13 biennium) and Teaching Experience Supplement (\$95.7 million for the 2012–13 biennium). The Instruction and Operations formula is calculated as follows:

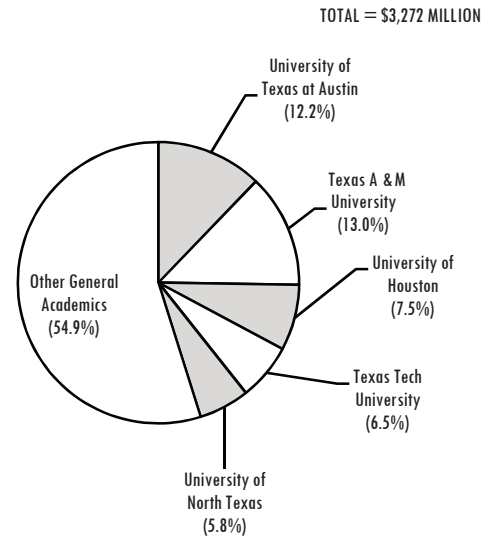
$$\frac{\text{Semester Credit Hours} \times \text{Program/Level Weight}}{\text{X Rate}} \quad (53.71)$$

Semester credit hours (SCH) are a measurement of how many classes (and the number of students enrolled in those classes) an institution delivers. The formula calculation for a biennium uses a “base period” of SCH. The “base period” used for the 2012–13 biennium was the combination of summer 2010, fall 2010, and spring 2011.

SCH is weighted by discipline (e.g., nursing is weighted more than liberal arts) and by level (i.e., lower and upper division, masters, doctoral, and professional). For instance, a lower division liberal arts course receives a weight of 1.0. A doctoral level liberal arts course receives a weight of 9.23. A nursing lower division course receives a weight of 2.03. A doctoral nursing course receives a weight of 9.25. Beginning with the 2006–07 GAA, the basis for the weights per discipline was shifted to an aggregation of actual costs based on institutions Annual Financial Reports. Currently, THECB uses a rolling three year average to adjust the weights each biennium.

THECB recommends a rate based on its recommended weights and program enhancements. The legislature sets the weights and the rate in the Higher Education Special Provisions of the GAA (page III-238). In practice, the legislature has set the rate based on available funding, including consideration of enrollment changes and other factors. **Figure 7** illustrates the Instruction and Operations Formula allocation to institutions.

**FIGURE 7
DISTRIBUTION OF INSTRUCTION AND OPERATIONS
FORMULA
2012–13 BIENNIUM**



SOURCE: Legislative Budget Board.

TEACHING EXPERIENCE SUPPLEMENT

For the 2012–13 biennium, an additional weight of ten percent is added to lower-division and upper-division semester credit hours taught by tenured and tenure-track faculty. The 2012–13 GAA includes the following language: “Furthermore, it is the intent of the Legislature that the weight shall increase by 10 percent per biennium, up to 50 percent.” (Special Provisions Relating Only to State Agencies of Higher Education, Sec. 28, page III-238, 2012–13 GAA)

The Teaching Experience Supplement is calculated as follows:

$$\frac{\text{Semester Credit Hours} \times \text{Program/Level Weight}}{\text{Supplement (.10)} \times \text{X Rate}} \quad (53.71)$$

The Teaching Experience Supplement was 5 percent during the 1998–99 and 2000–01 biennia. The Seventy-seventh Legislature, 2001, increased the supplement to the current 10 percent in 2002–03 biennium.

INFRASTRUCTURE FORMULA

Almost 16 percent of formula funds flow through the Infrastructure Formula and Small Institution Supplement (\$676.8 million for the 2012–13 biennium). In addition to

the universities, the State Colleges and components of Texas State Technical College also receive infrastructure formula appropriations. This formula uses a statewide infrastructure rate, which is set in the GAA. The statewide infrastructure rate is divided into two rates: an Adjusted Utility Rate and an All Other Rate. As with the SCH rate, the legislature has set the rate based on available funding, including consideration of changes in institutional space and other factors.

The Infrastructure Formula is calculated as follows:

$$\frac{(Adjusted\ Utility\ Rate + All\ Other\ Rates)}{X\ Predicted\ Square\ Feet}$$

The Adjusted Utility Rate is 52 percent of the statewide infrastructure rate. The 52 percent reflects the percentage of infrastructure formula funds that institutions historically spent on utilities. A statewide utility rate is determined and then adjusted for each institution to reflect utility costs relative to other institutions.

The All Other Rate is 48 percent of the statewide infrastructure rate and remains constant among institutions. It accounts for physical plant, grounds, maintenance, and custodial services.

THECB’s Space Projection Model for Higher Education Institutions in Texas (space model) estimates square footage for each institution. The objective of the space model projection is to calculate the amount of space an institution needs based on the following:

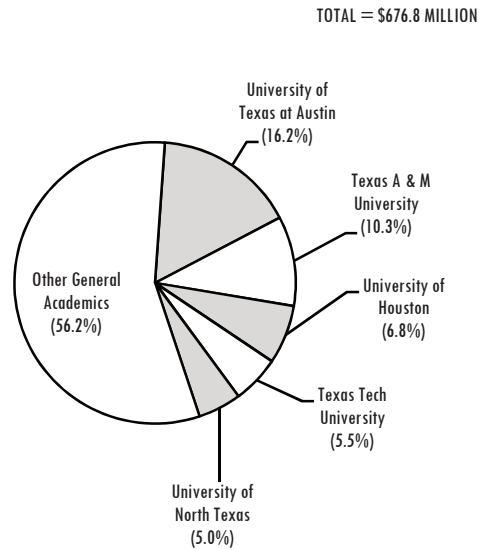
- number, program, and level of semester credit hours;
- number of faculty, non-faculty, students, programs, and library holdings; and
- research and current E&G expenditures.

Figure 8 illustrates the Infrastructure Formula allocation to institutions. The similarity of the allocation to the Instruction and Operations Formula allocation demonstrates the influence of enrollment on both formula allocations.

SMALL INSTITUTION SUPPLEMENT

Prior to the Eighty-first Legislature (2009) general academic institutions with enrollments of less than 5,000 received a \$750,000 annual Small Institution Supplement. However, the Eighty-first Legislature increased the enrollment threshold to 10,000 students and implemented a phase-out

**FIGURE 8
DISTRIBUTION OF INFRASTRUCTURE FORMULA
2012–13 BIENNIUM**



SOURCE: Legislative Budget Board.

(based on the number of students) of the supplement between 5,000 and 10,000 students for the 2012–13 biennium (see **Figure 9**). This supplement recognizes that institutions have a minimum cost of operation that may not be covered by funds generated through the formulas.

HOLD HARMLESS FUNDING

The Eighty-first Legislature, 2009, provided \$41.4 million in General Revenue hold harmless funding for affected institutions to minimize the effect of reduced formula funding as a result of overall enrollment declines or declines in upper-division or graduate enrollment. Decreases in formula funding could be caused by declining enrollment, a shift from upper level or graduate semester credit hours to lower level hours, a much smaller increase in enrollment than other institutions, or a change in utility costs. The Eighty-second Legislature, 2011, provided \$44.4 million in a hold harmless based on total General Revenue Funds (formula and non-formula) for the 2012–13 biennium.

FIGURE 9
SMALL INSTITUTION SUPPLEMENT RECIPIENTS

The University of Texas at Brownsville
 The University of Texas of the Permian Basin
 The University of Texas at Tyler
 Texas A&M University at Galveston
 Prairie View A&M University
 Tarleton State University
 Texas A&M University – Central Texas
 Texas A&M University – Kingsville
 Texas A&M University – San Antonio
 Texas A&M International University
 West Texas A&M University
 Texas A&M University – Texarkana
 University of Houston – Clear Lake
 University of Houston – Victoria
 Midwestern State University
 University of North Texas at Dallas
 Texas Southern University
 Angelo State University
 Sul Ross State University
 Sul Ross State University – Rio Grande College
 Texas State Technical College – Harlingen
 Texas State Technical College – West Texas
 Texas State Technical College – Waco
 Texas State Technical College – Marshall
 Lamar Institute of Technology
 Lamar State College – Orange
 Lamar State College – Port Arthur

SOURCE: Legislative Budget Board.

NON-FORMULA FUNDING

SPECIAL ITEMS

Special Item appropriations to the institutions total \$483.6 million for the 2012–13 biennium. In 2012–13, \$6.9 million was appropriated to system offices for special items. These are direct appropriations to institutions for projects that are not funded by formula but are specifically identified by the legislature as needing support. An institution is not required to spend the amount identified in a Special Item strategy for that particular project, but expenditure reports indicate that institutions often use an entire appropriation, along with additional funding, for the related project.

The majority of special item funding is through the Institutional Enhancement strategy. Institutional Enhancement is a \$220.4 million appropriation for the 2012–13 biennium. This is a direct appropriation to institutions and was 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 million per year was appropriated for each institution. Examples of consolidated special items are items that could be funded through the formulas such as general institutional, academic, and research support.

For the 2002–03 biennium there was an additional \$1 million increase in appropriations for most institutions and a \$1.5 million increase for selected institutions in South Texas and the border region. Institutions that benefited significantly from the Seventy-seventh Legislature’s new University Research and Texas Excellence Funds (House Bill 1839, Seventy-seventh Legislature, 2001) or from the Permanent University Fund (PUF) “excellence funding” did not receive an increase in Institutional Enhancement funds for the 2002–03 biennium.

Other Special Items total \$263.2 million in appropriations for the 2012–13 biennium and include the following: institutional and instructional support; public service items; research items other than general research support; funding for separate campuses; and accreditation program items.

TEXAS COMPETITIVE KNOWLEDGE FUND

The Texas Competitive Knowledge Fund (TCKF) is authorized by the General Appropriations Act (GAA) (2012–13 Biennium), Article III, Higher Education Special Provisions, Section 56. The GAA prescribes that this funding will be used to support faculty for the purpose of instructional excellence and research. Funding was first allocated in these strategies by the Legislature for the 2008–09 biennium.

Current institutions receiving TCKF appropriations include The University of Texas at Austin, Texas A&M University, University of Houston, Texas Tech University, and The University of Texas at Dallas. Institutions are allocated funding appropriated to the TCKF based on average research expenditures for the previous three-year period. The Eighty-second Legislature, Regular Session, 2011, appropriated \$93.5 million in Texas Competitive Knowledge Fund strategies directly to the institutions. This funding level provides approximately \$0.7 million to each institution for every \$10.0 million in research expenditures. In practice,

when institutions have first received distributions from the fund, appropriations have been reduced from the institution’s special item strategies. In subsequent biennia, the institution continues to receive appropriations from the TCKF and the reduction in special items is not specifically restored.

RESEARCH DEVELOPMENT FUND

The Research Development Fund was created by House Bill 3526, Seventy-eighth Legislature, Regular Session, 2003, and replaced the Texas Excellence and University Research Funds effective September 1, 2005. The intent was to combine the Texas Excellence Fund and University Research Fund into a new fund applying a uniform allocation methodology based on a three-year average of each institution’s restricted research expenditures. The Eighty-first Legislature allocated \$65.3 million (Figure 10) in the 2012–13 biennium to individual institutions to fund objectives identical to the Research Development Fund (Section 62.091).

TEXAS RESEARCH INCENTIVE PROGRAM

The Eighty-first Legislature, Regular Session, 2009, established the Texas Research Incentive Program (TRIP) at THECB to match state appropriations with certain gifts and endowments received by emerging research universities. The goal of this \$17.8 million a year program is to create more Tier One universities in Texas.

PERFORMANCE INCENTIVE INITIATIVE

The Eightieth Legislature, 2007, appropriated \$100 million in fiscal year 2009 to THECB to establish a Higher Education Performance Incentive Initiative. The funding was for “improvement in teaching and educational excellence at Texas public general academic institutions.” THECB distributed \$80 million for increases in degrees awarded with special weights given to critical fields and at-risk students. The remaining \$20 million was used to fund scholarships for students graduating in the top 10 percent of their high school class.

The Eighty-first Legislature, Regular Session, 2009, maintained the \$80 million for the higher education performance incentive initiative (funded by the American Recovery and Reinvestment Act) and increased funding for the Top Ten Percent scholarship program by \$34 million bringing total appropriations for the program to \$54 million.

There were no performance funding incentives for the 2012–13 biennium. For the 2012–13 biennium, \$39.6

**FIGURE 10
RESEARCH DEVELOPMENT FUND ALLOCATIONS**

| INSTITUTION | 2012–13 BIENNIAL RDF ALLOCATION |
|--|---------------------------------------|
| The University of Texas at Arlington | \$6,032,754 |
| The University of Texas at Dallas | 8,425,486 |
| The University of Texas at El Paso | 6,925,040 |
| The University of Texas at Pan American | 1,147,838 |
| The University of Texas at Brownsville | 902,512 |
| The University of Texas of the Permian Basin | 306,408 |
| The University of Texas at San Antonio | 5,491,296 |
| The University of Texas at Tyler | 434,072 |
| Texas A&M University at Galveston | 600,342 |
| Tarleton State University | 1,586,396 |
| Texas A&M University – Corpus Christi | 2,212,356 |
| Texas A&M University – Kingsville | 1,846,206 |
| Texas A&M International University | 253,246 |
| West Texas A&M University | 681,752 |
| Texas A&M Commerce | 436,752 |
| Texas A&M Texarkana | 9,008 |
| University of Houston | 10,705,472 |
| University of Houston – Clear Lake | 10,392 |
| University of Houston – Downtown | 10,248 |
| University of Houston – Victoria | 2,254 |
| Midwestern State University | 30,066 |
| University of North Texas | 2,495,448 |
| Stephen F. Austin University | 895,696 |
| Texas Southern University | 338,580 |
| Texas Tech University | 8,327,602 |
| Texas Woman’s University | 266,152 |
| Angelo State University | 123,176 |
| Lamar University | 820,010 |
| Sam Houston State University | 362,574 |
| Texas State University – San Marcos | 3,121,164 |
| Sul Ross State University | 304,040 |
| TOTAL | \$65,296,738 |

SOURCE: Legislative Budget Board.

million is appropriated to the Top Ten Percent Scholarship Program.

HOLD HARMLESS FUNDING

The Eighty-second Legislature, 2011, provided \$44.4 million in General Revenue Funds hold harmless funding for affected institutions to minimize the effect of reduced formula and special item funding. Decreases in formula funding could be caused by declining enrollment, a shift from upper level or graduate semester credit hours to lower level hours, a much smaller increase in enrollment than other institutions, or a change in utility costs.

CAPITAL FUNDS

In addition to the constitutional funds discussed in the next subsection, there are three types of state appropriation for capital funds: tuition revenue bonds, Skiles Act revenue bonds, and lease payments. Almost all of the direct appropriations to institutions related to capital funds are for debt service on tuition revenue bonds.

A \$593.1 million General Revenue Funds appropriation was made for tuition revenue bond debt service for the 2012–13 biennium.

Tuition revenue bonds must be authorized in statute. Once an authorization is made, institutions issue bonds and make related debt payments with tuition revenue. The Texas Public Finance Authority issues tuition revenue bonds for Midwestern State University, Stephen F. Austin University, Texas Southern University, and the Texas State Technical Colleges. Legislative practice has been to use General Revenue Funds to reimburse institutions for the costs related to this debt service.

The legislature first authorized tuition revenue bonds in 1971. In some instances the authorization was a lump sum for the benefit of specific institutions. During the Seventy-eighth Legislature, 2003, \$268.9 million in tuition revenue bonds was authorized for specific projects at various higher education institutions. The Seventy-ninth Legislature, Third Called Session, 2005, adopted House Bill 153, which authorized the issuance of \$1.858 billion in tuition revenue bonds for forty-four different institutions. Only one tuition revenue bond (House Bill 1775) was adopted by the Eightieth Legislature, 2007, for a \$13 million nursing building at Stephen F. Austin University. The Eighty-first Legislature, 2009, authorized one tuition revenue bond for Texas A&M University at Galveston. The Eighty-second Legislature, 2011, did not authorize any new tuition revenue bonds.

The authority for Skiles Act Revenue Bonds was repealed in 1997. It had allowed institutions to pledge up to \$5 from each enrolled student for each regular semester to the payment of bonds authorized under the governing board's general authority to sell revenue bonds. Institutions use their Other Educational and General Income (General Revenue–Dedicated Funds) to pay the debt service on these previously authorized bonds. This is a \$1.0 million appropriation for the 2012–13 biennium.

Three general academic institutions receive a \$3 million General Revenue Fund appropriation for lease payments to community colleges for facilities.

CONSTITUTIONAL FUNDS

These funds are appropriated separately in the GAA and not directly appropriated to the institutions (see Appendix D).

The Available University Fund (AUF), established in Section 18, Article VII, Texas Constitution, consists of the surface income and investment proceeds from the Permanent University Fund (PUF), a state endowment with land grants totaling 2.1 million acres.

Distributions to the AUF consist of investment returns from PUF assets, surface income from PUF lands, and interest earned on AUF balances. For the 2012–13 biennium, investment returns were \$1,220.0 million, surface income was \$39.8 million and interest income was \$5.9 million. Income from the sale of PUF lands and the lease of mineral interest is retained in the PUF and invested.

The total 2012–13 estimated appropriation for the AUF is \$1,266.0 million. The Constitution appropriates two-thirds of the AUF to The University of Texas System and one-third to the Texas A&M University System. The two systems may use the AUF for capital purposes (debt service on PUF bonds) for most of their institutions and “for the support and maintenance” of other institutions listed. Entities authorized to receive funding for “support and maintenance,” which is now commonly referred to as “AUF Excellence Funding,” are the two system offices, The University of Texas at Austin, Texas A&M University, and Prairie View A&M University. The systems' boards of regents determine allocations to individual institutions, including health-related institutions, and the amounts for “Excellence.” **Figure 11** lists the recipients and the type of support they received.

The Higher Education Fund (HEF) as authorized in Section 17, Article VII, Texas Constitution, benefits institutions of higher education not eligible for the AUF (see **Figure 12**).

**FIGURE 11
PARTICIPANTS IN THE AVAILABLE UNIVERSITY FUND**

EXCELLENCE AND DEBT SERVICE FUNDS

- The University of Texas System
- The Texas A&M University System
- The University of Texas at Austin
- Texas A&M University
- Prairie View A&M University

DEBT SERVICE ONLY

The University of Texas System Components:

- The University of Texas at Arlington
- The University of Texas at Dallas
- The University of Texas at El Paso
- The University of Texas of Permian Basin
- The University of Texas at San Antonio
- The University of Texas at Tyler
- The University of Texas Southwestern Medical Center
- The University of Texas Medical Branch at Galveston
- The University of Texas Health Science Center at Houston
- The University of Texas Health Science Center at San Antonio
- The University of Texas Health Science Center at Tyler
- The University of Texas M.D. Anderson Cancer Center

Texas A&M University System Components:

- Texas A&M University at Galveston
- Texas A&M University at Tarleton
- Texas A&M University – San Antonio
- Texas A&M University – Central Texas
- Texas A&M University System Health Science Center
- Texas AgriLife Research
- Texas AgriLife Extension Service
- Texas Engineering Experiment Station
- Texas Engineering Extension Service
- Texas Transportation Institute
- Texas Forest Service

SOURCE: Legislative Budget Board.

**FIGURE 12
PARTICIPANTS IN THE HIGHER EDUCATION FUND**

The University of Texas System Components:

- The University of Texas – Pan American

Texas A&M University System Components:

- Texas A&M University – Corpus Christi
- Texas A&M International University
- Texas A&M University – Kingsville
- West Texas A&M University
- Texas A&M University – Texarkana

University of Houston System Components:

- University of Houston
- University of Houston – Clearlake
- University of Houston – Downtown
- University of Houston – Victoria

Independent Institutions:

- Midwestern State University
- Stephen F. Austin State University
- Texas Southern University
- Texas Woman’s University

University of North Texas System Components:

- University of North Texas Health Science Center at Fort Worth
- University of North Texas*

Texas Tech University System Components:

- Texas Tech University Health Sciences Center
- Angelo State University

Texas State University System Components:

- Lamar University
- Sam Houston State University
- Texas State University – San Marcos
- Sul Ross State University
- Sul Ross State Rio Grande College
- Lamar State College – Orange
- Lamar State College – Port Arthur
- Lamar Institute of Technology

Texas State Technical College System Components:

- Texas State Technical College – Harlingen
- Texas State Technical College – West Texas
- Texas State Technical College – Marshall
- Texas State Technical College – Waco

*The University of North Texas at Dallas receives its allocation through the University of North Texas.

SOURCE: Legislative Budget Board.

The HEF is supported by General Revenue Fund appropriations.

The distribution of the \$525 million HEF appropriation for 2012–13 is provided for in statute (Texas Education Code Section 62.021). The Constitution calls for a re-allocation of HEF funds every ten years. The Seventy-ninth Legislature, Regular Session, fulfilled this requirement with the enactment of House Bill 3001.

The Constitution also allows the legislature to adjust the decennial allocations every five years. The Eighty-first Legislature, Regular Session, 2011, exercised this authority by enacting House Bill 51, which adjusted the formula allocation for the HEF funds for fiscal years 2009 through 2015.

To maintain the equitable distribution of the HEF appropriation, House Bill 51 also corrected the distribution of fiscal year 2009 and 2010 HEF allocations by using revised formula calculations. Using these revised formula calculations, House Bill 51 factored in updated data elements to generate the annual HEF allocations for the five-year period starting in fiscal year 2011.

HEF funds must be used for capital purposes. Institutions may use HEF allocations for debt service on HEF bonds or as cash.

In 1995 the Texas Constitution was amended to authorize the creation and funding of a dedicated HEF corpus, known as the Permanent Higher Education Fund (PHEF). This corpus was separate from the annual HEF allocation of General Revenue Funds. The PHEF was intended to become a permanent endowment to support non-PUF eligible institutions, but never reached its targeted value of \$2 billion.

The PHEF corpus of \$515.9 million was rededicated with the enactment of Proposition 4, which amended Article 7 of the Texas Constitution by establishing the National Research University Fund (NRUF). The balance of the PHEF was transferred to the NRUF on January 1, 2010, and the authorization for the PHEF expired. Proposition 4 also allowed the legislature to appropriate some or all of the total returns from the NRUF to provide a source of funding to enable emerging research universities to achieve national prominence.

The Eighty-second Legislature, 2011, appropriated \$12.4 million in estimated NRUF proceeds to eligible institutions in the 2012–13 biennium.

House Bill 1000, Eighty-second Legislature, Regular Session, 2011, established the specific eligibility and distribution criteria for the 2012–13 NRUF appropriations. To be eligible to receive NRUF appropriations, an institution must meet two mandatory criteria and four out of six optional criteria. The mandatory criteria are that the institution in designated as an emerging research university within the Higher Education Coordinating Board's Accountability System, and that the institution reported at least \$45 million in restricted research expenditures in each of the preceding two fiscal years. Optional criteria include the following: possession of an endowment fund values in excess of \$400 million; awarding over 200 Doctor of Philosophy degrees per year; having an entering freshman class of high academic achievement; recognition of the institutions research capability and scholarly attainment; possession of a high-quality faculty; and possession of high-quality graduate education programs. Texas Tech University and the University of Houston are the only two institutions that received funding through this program in 2012.

HIGHER EDUCATION GROUP INSURANCE (HEGI)

The \$463.1 million General Revenue Fund appropriation for higher education group insurance (HEGI) is not a direct appropriation in the institutions' bill patterns. It is appropriated in a separate section of the GAA entitled "Higher Education Employees Group Insurance Contributions." This appropriation is intended to help institutions cover the cost of health insurance premiums for institution employees whose salaries are paid from the General Revenue Fund. Because The University of Texas and Texas A&M University Systems operate their own health insurance programs, they each receive separate appropriations. The remaining institutions are included in the program operated by the Employees Retirement System (ERS).

The HEGI appropriation is sum-certain. That is, the State's General Revenue Fund contributions are limited to each institution's number of employees enrolled in the health insurance program as of December 1, 2012. However, the GAA allows ERS, The University of Texas and Texas A&M University Systems to transfer HEGI appropriations among institutions within their respective group insurance programs to address shortfalls in General Revenue Funds related to group insurance premiums.

SOCIAL SECURITY BENEFITS

An appropriation for social security is included in the GAA at the end of Article III. It is an estimated General Revenue

Fund appropriation to provide the employer matching funds for employees of institutions of higher education. (This appropriation amount is not included in **Figure 3** on page 2.)

STAFF GROUP INSURANCE

Staff group insurance is for staff whose salaries are not paid with General Revenue Funds (GR). The appropriation is based on an estimation of the number of non-GR funded employees at an institution as of December 1, 2010. The total appropriation for all general academic institutions is \$176.6 million for the 2012–13 biennium. The method of finance is Other Educational and General Income (which is classified as General Revenue–Dedicated Funds).

RETIREMENT CONTRIBUTIONS

Appropriations for retirement contributions are included under the Teacher Retirement System (TRS) and Optional Retirement Program (ORP) bill patterns. Some higher education employees, primarily faculty and top administrators, are eligible for ORP, a defined contribution plan similar to a 401k. Other higher education employees participate in TRS, a defined benefit plan. The state funds retirement contributions for TRS equal to 6.0 percent of an employee's salary in fiscal year 2012 and 6.4 percent in 2013. State contributions for ORP are equal to 6.0 percent of an employee's salary in fiscal years 2012 and 2013. (These appropriation amounts are not included in **Figure 3** on page 2.)

OTHER NON-FORMULA FUNDING

WORKERS' COMPENSATION

Changes in the structure of the statewide workers' compensation system resulted in most institutions receiving General Revenue Fund appropriations for Workers' Compensation starting in 2006–07. However, The University of Texas and Texas A&M University Systems operate their own workers' compensation pools while all other institutions are part of the State Office of Risk Management's workers' compensation pool.

UNEMPLOYMENT COMPENSATION

Most components of The University of Texas and Texas A&M University Systems have this strategy because they operate their own risk pools. These institutions receive General Revenue Fund appropriations for unemployment compensation insurance. The appropriation for the 2012–13 biennium is \$0.5 million in General Revenue Funds. The Texas Workforce Commission receives an appropriation to

cover unemployment benefits for former state employees for all other higher education institutions.

TEXAS PUBLIC EDUCATION GRANTS

According to statute (Texas Education Code, Chapter 56, Subchapter C, and Texas Education Code Section 54.051 [Statutory Tuition]) 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 percent of each nonresident student's tuition are set aside for financial aid to students at the institution. Texas Education Code Section 56.033 provides guidelines on the allocation of TPEG revenue. The GAA includes an estimate of the amount of TPEG revenue each institution will generate. This \$211.1 million estimated appropriation is considered Other Educational and General Income, which are classified as General Revenue–Dedicated Funds.

INDIRECT COST RECOVERY

Indirect costs, as defined by The Comptroller of Public Accounts, are: "incurred for a common or joint purpose benefiting more than one cost objective." Institutions negotiate a percentage of a federal grant for indirect costs. There are a number of factors included in the calculation, including: building and equipment use allowance; operations and maintenance; general, departmental, and sponsored projects administration; and library costs.

The Seventy-eighth Legislature, 2003, allowed universities to retain 100 percent of indirect costs income from research grants and contracts to encourage further research projects conducted by universities.

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/preschool programs, an optometry clinic, and lifeguard training. Revenue from Organized Activities is classified as General Revenue–Dedicated Funds, Other E&G Income. For the 2012–13 biennium, \$50.3 million is appropriated for Organized Activities.

FUNDING HEALTH-RELATED INSTITUTIONS

OVERVIEW

Appropriations for the nine health-related institutions are similar in structure to the appropriations for general academic institutions. There are formula and non-formula funding appropriations made directly to the institutions, as well as appropriations that benefit the institutions but are not included in the institutions' bill patterns, such as the Available University Fund, certain staff benefits, and funds trusteeed at the Texas Higher Education Coordinating Board (THECB). While health-related institutions do not receive appropriations from the Research Development Fund, they share many other types of appropriations similar to general academic institution appropriations. Those appropriations will be briefly restated in this section of the report. **Figure 13** lists the institutions and their enrollment.

**FIGURE 13
PUBLIC HEALTH-RELATED INSTITUTIONS CERTIFIED
HEADCOUNT, FALL 2011**

| INSTITUTION | HEADCOUNT |
|---|---------------|
| UT Southwestern Medical Center | 2,467 |
| UT Medical Branch at Galveston | 2,660 |
| UT Health Science Center at Houston | 4,485 |
| UT Health Science Center at San Antonio | 3,273 |
| UT M. D. Anderson Cancer Center | 248 |
| UT Health Science Center at Tyler | N/A |
| Texas A&M University System Health Science Center | 1,958 |
| University of North Texas Health Science Center at Fort Worth | 1,567 |
| Texas Tech University Health Sciences Center | 3,590 |
| Statewide Totals | 20,248 |

SOURCE: Higher Education Coordinating Board.

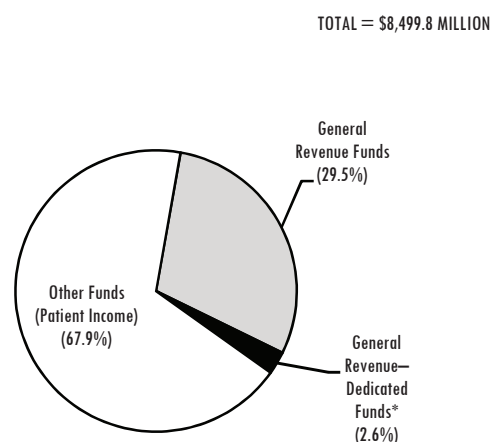
Like other higher education institutions, the appropriations for health-related institutions are a lump sum, and funding strategies are presented for informational purposes in the General Appropriations Act (GAA). The funding strategies in a health-related institution's bill pattern represent how state funds are allocated but not how they must be spent. Also, certain methods of finance in the appropriation are estimated. This means that if, for example, patient income for an institution is above the amount included in the GAA,

the institution can spend more than the amount listed in the GAA.

Also, health-related institutions have access to an estimated \$10.9 billion outside the appropriations process in 2012–13. Examples of this include certain tuition revenue, indirect lost recovery, grants, and gifts.

Figure 14 illustrates the 2012–13 method of finance for \$8.5 billion in appropriations for health-related institutions, including a number of the indirect appropriations, but it does not include appropriations for retirement benefits.

**FIGURE 14
METHOD OF FINANCE FOR HEALTH-RELATED
INSTITUTIONS
2012–13 BIENNIUM**



*Including some tuition and fees.
SOURCE: Legislative Budget Board.

FORMULA FUNDING

The three primary funding formulas for health-related institutions are Instruction and Operations support, Infrastructure support, and Research Enhancement. The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Science Center at Tyler have additional formula allocations to accommodate their unique missions. Each health-related institution also receives formula funding for graduate medical education.

General Revenue funding and some Other Educational and General Income (Other E&G is classified as General Revenue–Dedicated) fund the formulas. Like general academic institutions, certain tuition revenue is used in the calculation of the Instruction and Operation support and Infrastructure support formulas. Of the \$1.5 billion that is allocated by the health-related institutions’ primary formulas, 93.9 percent is from the General Revenue Fund, and the remaining 6.1 percent is from General Revenue–Dedicated Funds (tuition and fee revenue).

Some tuition and fee income is set aside for specific purposes. Some specific amounts are unavailable for formula purposes and, consequently, are not a formula method of finance. For example, health-related institutions set aside a portion of their tuition to provide Texas Public Education Grants (TPEG) and Medical Loans.

INSTRUCTION AND OPERATIONS SUPPORT FORMULA

The Instruction and Operations (I&O) support formula represents nearly 75.5 percent of the primary formula funds for health-related institutions (\$928.2 million for the 2012–13 biennium). It is intended to fund items such as faculty salaries, departmental operating expenses, instructional administration, and libraries. It is allocated on a per full-time student equivalent (FTSE) basis with a funding weight predicated on the instructional program of the student. This formula applies to all health-related

institutions except The University of Texas Health Science Center at Tyler, which did not offer education instruction during the base period for the 2012–13 biennium.

Figure 15 illustrates the Instruction and Operations support formula, among the eight health-related institutions.

The Instruction and Operations support formula is calculated as follows:

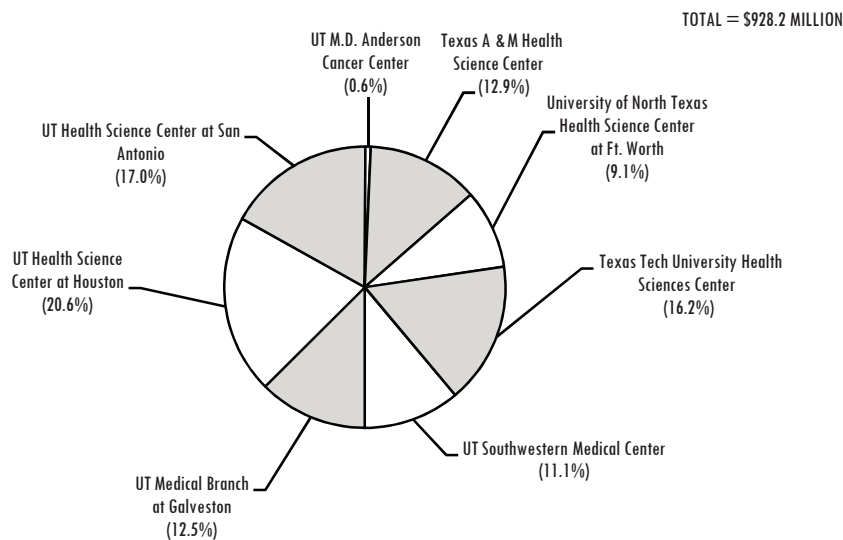
$$(FTSE \times Program \textit{Weight} \times \$8,874) + \textit{Small/Multiple Campus Supplement}$$

FTSE is weighted by discipline. For example, medicine (4.753) is weighted more than pharmacy (1.670). Allied Health is assigned a weight of 1.000.

The Legislature sets the weights and the rate (\$8,874, adjusted for the 2012–13 biennium) in the Higher Education Special Provisions of the GAA (Sec. 29 page III-239 and 240). The rate is calculated based on the available revenue for the formula and the number of FTSEs.

Programs with enrollments less than 200 receive a Small Campus Supplement (see **Figure 16**).

**FIGURE 15
DISTRIBUTION OF INSTRUCTION AND OPERATIONS SUPPORT FORMULA
2012–13 BIENNIUM**



SOURCE: Legislative Budget Board.

**FIGURE 16
SMALL CAMPUS SUPPLEMENT RECIPIENTS**

| | |
|---|-----|
| The University of Texas Southwestern Medical Center | No |
| The University of Texas Medical Branch at Galveston | Yes |
| The University of Texas Health Science Center at Houston | Yes |
| The University of Texas Health Science Center at San Antonio | Yes |
| The University of Texas M.D. Anderson Cancer Center | No |
| The University of Texas Health Science Center at Tyler | N/A |
| Texas A&M Health Science Center | Yes |
| University of North Texas Health Science Center at Fort Worth | No |
| Texas Tech University Health Sciences Center | Yes |

SOURCE: Legislative Budget Board.

M.D. Anderson Cancer Center and The University of Texas Health Science Center at Tyler which have another rate (\$6.25).

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

- number and level of FTE students;
- number of faculty;
- single or multiple programs and campuses;
- actual clinical space; and
- research and current E&G expenditures.

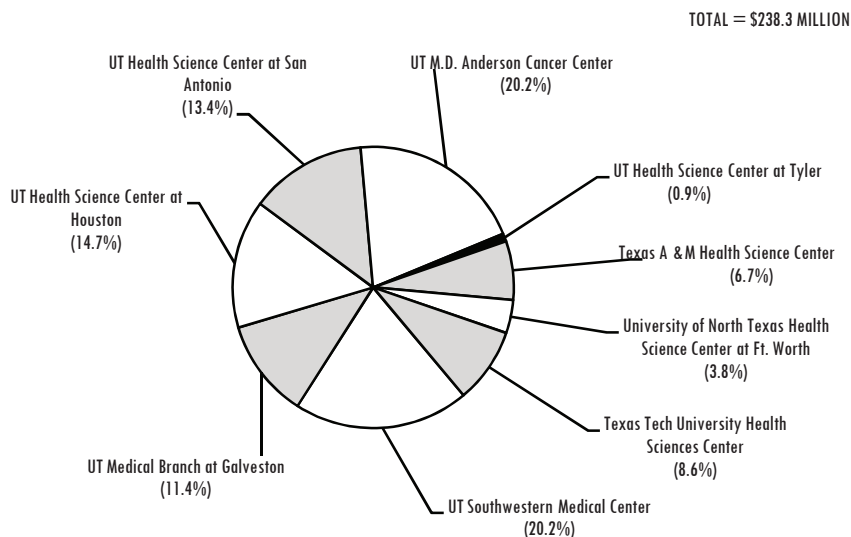
Because the space projection model does not account for hospital space, separate infrastructure funding for hospital space is included in the total funding for hospital and patient-care activities at The University of Texas Medical Branch at Galveston, The University of Texas M.D. Anderson Cancer Center, and The University of Texas Health Science Center at Tyler.

Figure 17 illustrates the Infrastructure Support Formula allocation to institutions, among the nine health-related institutions.

INFRASTRUCTURE SUPPORT FORMULA

The Infrastructure support formula is 19.4 percent of the primary formula funding and is intended for utilities and physical plant support (\$238.3 million for the 2012–13 biennium). This formula calculation is similar to that for general academic institutions, but includes only one rate (\$6.55) for all institutions except The University of Texas

**FIGURE 17
DISTRIBUTION OF INFRASTRUCTURE SUPPORT FORMULA
2012–13 BIENNIUM**



SOURCE: Legislative Budget Board.

RESEARCH FORMULA

Health-related institutions generate state appropriations to support research through General Revenue Funds in the Research Enhancement formula (\$62.9 million for the 2012–13 biennium). The Research Enhancement formula accounts for 5.1 percent of the primary formula funds and is funded entirely from the General Revenue Fund.

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

| | |
|--|--|
| <p>\$1,412,500 + (1.10 X Research Expenditures)</p> <p><i>This provides a base for all institutions, regardless of research volume</i></p> | <p>Institutions report current research expenditures to THECB</p> |
|--|--|

Figure 18 illustrates the Research Enhancement formula allocation to the institutions, among the nine health-related institutions.

GRADUATE MEDICAL EDUCATION

The Seventy-ninth Legislature, 2005, established a new formula for funding graduate medical education in the 2006–07 GAA. For 2012–13 the funding totals \$46 million

(an additional \$10.9 million is appropriated to the Baylor College of Medicine through the THECB) and provides \$4,436 per medical resident each year.

Figure 19 illustrates the Graduate Medical Education formula allocation to institutions, among the nine health related institutions and Baylor College of Medicine.

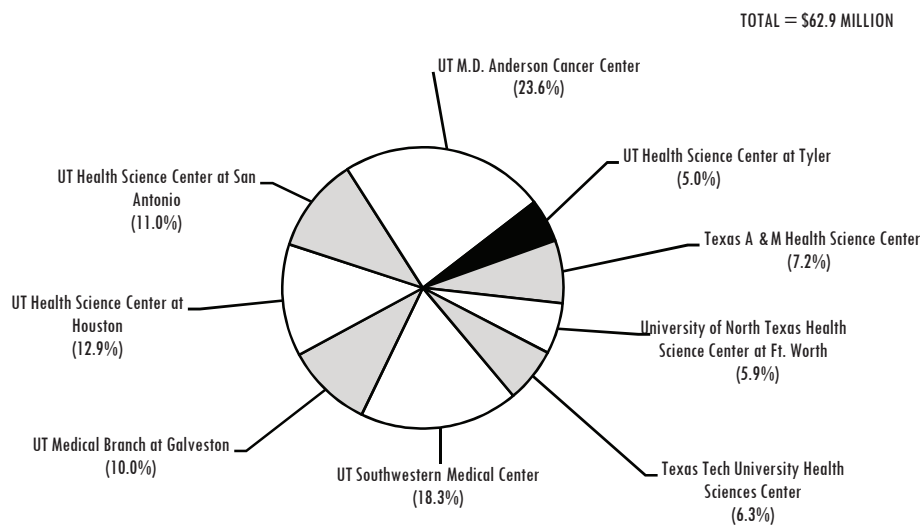
CHEST DISEASE CENTER FORMULA

The Chest Disease Center operations formula, which was established during the 2010–11 biennium, applies only to The University of Texas Health Science Center at Tyler. The University of Texas Health Science Center at Tyler has a statutory mission to conduct research, develop diagnostic and treatment techniques, provide training and teaching programs, and provide diagnosis and treatment of inpatients and outpatients with respiratory diseases. The Chest Disease Center formula is based on the number of primary chest disease patients the institution served. Approximately \$47.2 million in General Revenue Funds are appropriated for the 2012–13 biennium.

CANCER CENTER OPERATIONS FORMULA

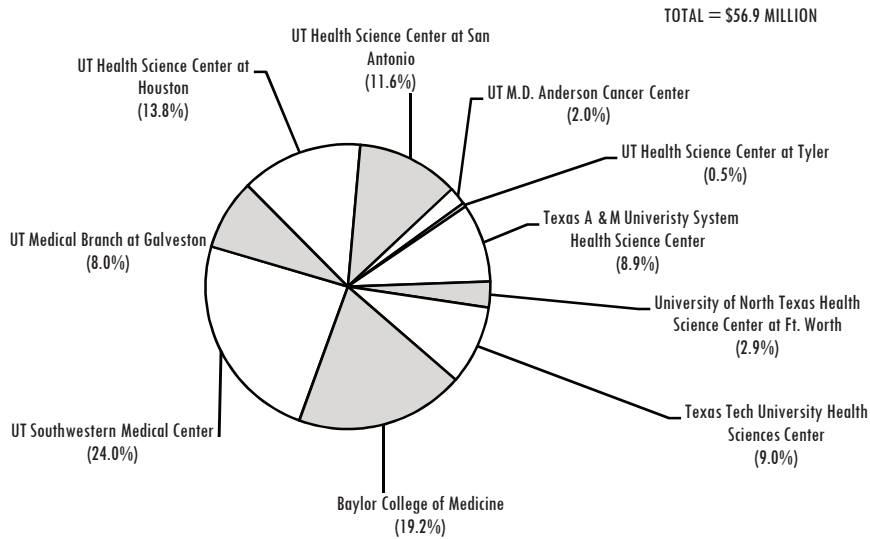
The Eightieth Legislature, 2007, established in the GAA an Operations formula for funding The University of Texas M.D. Anderson Cancer Center. The University of Texas M.D. Anderson Cancer Center has a statutory mission to eliminate cancer through patient care, research, education,

FIGURE 18
DISTRIBUTION OF RESEARCH ENHANCEMENT FORMULA
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

FIGURE 19
DISTRIBUTION OF GRADUATE MEDICAL EDUCATION FORMULA
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

and prevention. The Operations formula funding is based on the total number of Texas cancer patients the institution served. The Operations formula growth in funding may not exceed the average growth in funding for health-related institutions in the Instruction and Operations support formula for the current biennium. For the 2012–13 biennium, this funding formula provided \$212.5 million in General Revenue Funds.

NON-FORMULA FUNDING

PATIENT CARE ACTIVITIES

Some institutions conduct patient care activities, generally medical or dental. For the 2012–13 biennium, the estimated appropriation for Patient Income was \$5.6 billion. The hospital and clinic revenues earned through patient care activities are considered Other Funds, which are part of Educational and General Income (not to be confused with Other Educational and General Income, which is another subset of Educational and General Income). General Revenue funding supplements patient-care income to varying degrees at each institution. Patient Income is an estimated appropriation and is spread across an institution’s funding strategies; however, it is not used in the calculation of the formulas.

INSTITUTIONAL ENHANCEMENT

Institutional Enhancement is a General Revenue Fund appropriation that started in the 2000–01 biennium. It is designed to allow each institution to address its unique needs and diseconomies of scale at institutions with smaller campuses. The total institutional enhancement appropriation for the 2012–13 biennium was \$42 million, which includes \$40.7 million in General Revenue Funds and \$1.6 million in Patient Income.

SPECIAL ITEMS

Special items are activities that are not generally funded through the formulas and typically represent an institution’s special needs or areas of expertise. The \$310.7 million in General Revenue Funds for the 2012–13 biennium funds items such as residency programs, academic outreach programs, public service items, and research items other than general research support. Institutions propose and justify special items and request an amount for each on an ad hoc basis. Special items generally remain constant from biennium to biennium; unless the item was a one-time expense (e.g., tornado damage repairs) or the institution has not used the funding for the intended purpose.

CONSTITUTIONAL FUNDS

These funds are not directly appropriated to institutions in the GAA. In other words, these funds are not found in a strategy within an institution’s bill pattern.

Health-related institutions are eligible for funding from the Available University Fund (\$146 million in Other Funds allocated to these institutions by system offices for the 2012–13 biennium) and the Higher Education Fund (\$25.7 million in General Revenue Funds appropriated for the 2012–13 biennium), which are presented in detail in the “Funding General Academic Institutions” section of this report.

CAPITAL FUNDS

Just like general academic institutions, tuition revenue bonds (\$166.5 million in General Revenue Funds for related debt service in the 2012–13 biennium) are also used to fund capital projects at health-related institutions. A detailed presentation of tuition revenue bonds is in the “Funding General Academic Institutions” section. The University of Texas Medical Branch at Galveston and The University of Texas M.D. Anderson Cancer Center also have separate appropriations for capital projects that are funded primarily with Patient Income.

EMPLOYEE BENEFITS

Like general academic institutions, health-related institutions benefit from direct and indirect state appropriations related to employee benefits. The indirect appropriations include Higher Education Group Insurance (\$233.9 million in General Revenue Funds for the 2012–13 biennium), Retirement Contributions, and Social Security Benefits (all presented in the “Funding General Academic Institutions” section). The direct appropriations include Staff Group Insurance.

For the 2012–13 biennium, the Workers’ Compensation and Unemployment Compensation strategies (all presented in the “Funding General Academic Institutions” section) are funded directly with General Revenue Funds and General Revenue–Dedicated Funds. However, The University of Texas and Texas A&M University Systems operate their own workers’ compensation pools while all other institutions are part of the State Office of Risk Management’s workers’ compensation pool. The University of Texas and Texas A&M Systems also manage their own unemployment compensation coverage while all other institutions receive coverage from

the Texas Workforce Commission, which receives an appropriation to cover unemployment benefits.

TEXAS PUBLIC EDUCATION GRANTS

Health-related institutions, similar to general academic institutions, are subject to the Texas Education Code (§56.031 et al.) provision requiring a portion of tuition revenue be set aside to fund Texas Public Education Grants (TPEG). For the 2012–13 biennium, the estimated TPEG appropriation is \$18.8 million. This revenue is considered Other Education and General Income, which is classified as General Revenue–Dedicated Funds.

INDIRECT COST RECOVERY

As mentioned earlier in this section, Indirect Cost Recovery was removed from the GAA for the 2010–11 biennium, however the individual institution still receives the funds.

TOBACCO SETTLEMENT

House Bill 1945, Seventy-sixth Legislature, 1999, established 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 \$76.9 million in estimated interest earnings from the endowments for 2012–13 (based on estimated interest earnings of 4.5 percent each year) were appropriated to the health-related institutions.

FUNDING COMMUNITY AND TECHNICAL COLLEGES

OVERVIEW

Public two-year, lower-level institutions include 50 community and junior college districts, four Texas State Technical College (TSTC) campuses, and three Lamar State Colleges. These institutions were appropriated \$2.2 billion in state funding for the 2012–13 biennium. Preliminary fall

2011 enrollment at these institutions totaled 789,713. **Figure 20** illustrates the funding mechanisms for these institutions. Community colleges accounted for 98.3 percent of this enrollment total, while the Texas State Technical and Lamar State Colleges composed the remaining portion.

**FIGURE 20
TWO-YEAR INSTITUTION FUNDING MECHANISMS
2012–13 BIENNIUM**

| COMMUNITY COLLEGES | TSTC/LAMAR COLLEGES |
|---|--|
| <p>Instruction and Administration General Revenue Funds from the state are based on contact hour driven formulas for two-year institutions. Tuition and fee revenues and local tax revenues augment state General Revenue Funds for these costs.</p> <p>Academic Courses Approximately 82 percent of the total contact hours funded by General Revenue Funds are academic courses.</p> <p>Technical Courses Approximately 18 percent of the total contact hours funded by General Revenue Funds are vocational/technical courses.</p> <p>Physical Plant The state provides no funding for physical plant operations and maintenance. Local taxing districts are expected to provide support for physical plant needs. Community colleges are projected to receive approximately \$1.2 billion in tax income in fiscal year 2011.</p> <p>Facilities Local communities must provide facilities. Community colleges are not eligible to receive Higher Education Fund (HEF) allocations, Available University Fund allocations or state tuition revenue bonds.</p> <p>Employee Benefits While community college employees are locally-employed, community colleges participate in the Employee Retirement System (ERS) Group Benefits Program for health benefits and the Teacher Retirement System (TRS) and Optional Retirement Program (ORP) for retirement benefits. The state makes General Revenue Fund contributions for the health and retirement benefits.</p> <p>Tuition Fee Revenues Tuition and fee revenues are considered institutional funds and are not appropriated by the state. Tuition rates vary by institution. In 2012, the statewide tuition rates plus fees averaged \$73 per semester credit hour, but varied from \$34 to \$208 per semester credit hour.</p> <p>Local Tax Revenue Community Colleges are projected to receive approximately \$1.2 billion in tax income in fiscal year 2011. Local tax revenues are expected to provide support for physical plant needs and augment state General Revenue Funds for instruction and administration costs.</p> | <p>Instruction and Administration General Revenue Funds from the state are based on formulas for two-year institutions. Tuition and fee revenues augment General Revenue Funds for these costs.</p> <p>Academic Courses Approximately 39 percent at the Lamar colleges and 28 percent at Texas State Technical College (TSTC) of total contact hours funded by General Revenue Funds are academic courses.</p> <p>Technical Courses Approximately 61 percent at the Lamar colleges and 72 percent at TSTC of total contact hours funded by General Revenue Funds are vocational/technical courses.</p> <p>Physical Plant State funding based on the formula for general academic institutions. The Lamar colleges will receive approximately \$7.1 million and TSTC will receive \$15.7 million in General Revenue Funds for physical plant and utilities in the 2012–13 biennium.</p> <p>Facilities The Lamar colleges receive approximately \$4.2 million annually from HEF funds, and TSTC receives almost \$5.8 million annually. The HEF monies are used to acquire land, construct and equip buildings, provide major building repair or rehabilitation, and acquire capital equipment and library materials.</p> <p>Employee Benefits Both the Lamar colleges and TSTC institutions participate in ERS' Group Benefits Program for health benefits and the TRS and ORP programs for retirement benefits. The state makes General Revenue Fund contributions for the health and retirement benefits of those employees having their salaries paid with General Revenue Funds.</p> <p>Tuition Fee Revenues Certain tuition revenue is appropriated by the state. In 2012, for resident students average tuition plus fees was \$139 per semester credit hour at the Lamar colleges and \$150 per semester credit hour at TSTC.</p> |

SOURCE: Legislative Budget Board.

These institutions are primarily funded based on student contact hours. A contact hour is a standard unit of measure that represents an hour of scheduled academic and technical instruction given to students during a semester. Community and junior college districts generate almost 95.8 percent of the state-funded contact hours at two-year institutions. TSTC components generate approximately 2.9 percent of the contact hours, and the three Lamar State Colleges account for the 1.3 percent.

COMMUNITY COLLEGES

Over 99 percent of the direct appropriations to community colleges are from the General Revenue Fund and are generated through a funding formula. The remaining direct appropriations are for isolated “special items,” including appropriations for the Southwest Collegiate Institute for the Deaf, which is part of the appropriation for Howard College. The Texas Education Code, Section, 130.003(a) calls for state appropriations to public community colleges to “supplement local funds for the proper support, maintenance, operation, and improvement of those public junior colleges of Texas that meet the standards prescribed by the chapter.” Further, Education Code Section 130.003(c) indicates that state funds must be used “exclusively for the purpose of paying salaries of instructional and administrative forces... and the purchase of supplies and materials for instructional purposes.”

Consistent with statute, community colleges have their own Instruction and Administration Formula, which is funded by General Revenue Funds and based on “student contact hours.” Unlike general academic institution formulas, this formula does not include tuition and fee revenue as part of the method of finance.

The Eighty-second Legislature, 2011 also provided \$4.5 million to certain districts through a new small institution supplemental formula. A district is eligible for the supplement if it makes a significantly above-average effort to generate tax income while at the same time experiencing below-average tax revenue, and does not have a number of contact hours that exceeds the statewide median. The Eighty-second Legislature appropriated each eligible district \$0.5 million for the 2012–13 biennium.

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

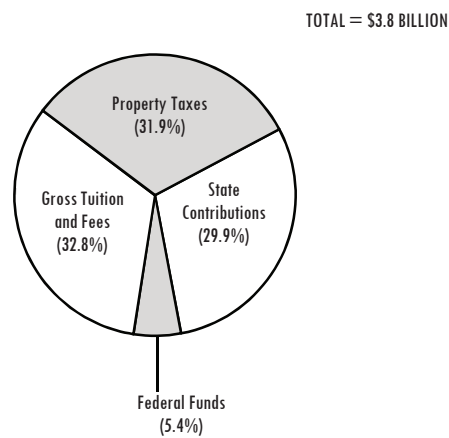
Three community colleges receive weighted semester credit hour formula funding for a Bachelor of Applied Technology degree program.

HOLD HARMLESS FUNDING

The Eighty-first Legislature, 2009, provided \$15.3 million in General Revenue formula hold harmless funding for affected community colleges to minimize the effect of reduced formula funding as a result of overall contact hour declines. The Eighty-second Legislature, 2011, did not provide any hold harmless funding in the 2012–13 biennium.

Property taxes, tuition, and fees are other major sources of revenue for community colleges. **Figure 21** illustrates the estimated sources of funding for community colleges. The state appropriations in **Figure 21** include all formula, special item, Higher Education Group Insurance appropriations, and retirement benefit appropriations.

**FIGURE 21
MAJOR SOURCES OF COMMUNITY COLLEGES’
OPERATING REVENUE IN BILLIONS
FISCAL YEAR 2011**



SOURCE: Legislative Budget Board.

FORMULA FUNDING

The basis of the formula starts with the Texas Higher Education Coordinating Board (THECB) Report of Fundable Operating Expenses (RFOE) (formally called the All Funds Expenditure Report.) The study includes all expenditures for instruction and administration (facilities costs are not included) in 26 program areas. THECB uses the expenditure data to determine the median cost in the 26 program areas—the “rates” for contact hours in those disciplines. THECB then makes a recommendation for

funding based on the rates. Over the years, THECB has used various methodologies as the basis for its funding recommendations. Because the RFOE takes into account all funds (state appropriations, plus tuition and tax revenue, which are not appropriated), THECB's recommendation for state funding has generally not equaled 100 percent of the rates.

The amount of the appropriation is a legislative decision based on funds available. The appropriation is allocated to the colleges according to each district's pro-rata share of THECB recommendations.

HIGHER EDUCATION GROUP INSURANCE (HEGI)

Like state institutions of higher education, community colleges receive General Revenue Fund contributions for group insurance. However, since community college employees are local, not state, employees state contributions for health benefits are fully discretionary. Other agencies and institutions of higher education report employee eligibility for General Revenue-funded group health insurance benefits only if the employee's salary is directly paid with General Revenue Funds. However, in the past, community colleges tended to base eligibility for General Revenue-funded benefits if the employee's job function fell under an approved "element of cost." This practice caused community colleges to report eligibility for state funded health benefits in a manner that did not always match the source of the employee's salary.

This practice led to the Governor's veto of the Group Health Insurance appropriation for fiscal year 2009 (\$154 million) at the end of the Eightieth Legislative session. However, an agreement to restore the vetoed funds was reached and returned directly to the districts in House Bill 4586, Eighty-first Legislature, Regular Session, 2009.

The Eight-Second Legislature, 2011, allowed community colleges to receive General Revenue Fund contributions for employees whose job function fell under an approved "element of cost." However, the Legislature only funded 42 percent of the premium costs for these employees.

OTHER STAFF BENEFITS

Appropriations for retirement contributions are included under the Teacher Retirement System (TRS) and Optional Retirement Program (ORP) bill patterns. Some higher education employees, primarily faculty and certain administrators, are eligible for ORP, a defined contribution plan similar to a 401k. Other higher education employees

participate in TRS, a defined benefit plan. In both instances, the state funds retirement contributions equal 6.0 and 6.4 percent of an employee's salary in fiscal year 2012 and fiscal year 2013, respectively. (These appropriation amounts are not included in **Figure 2** on page 3.)

DRAMATIC ENROLLMENT GROWTH

Since the 1996–97 biennium, public community colleges have received "Dramatic Enrollment Growth Funding." For the 2000–01 biennium, this was expanded to include Texas State Technical Colleges and Lamar State Colleges (Lamars). The appropriation was made to THECB. Rider 13, page III-53, General Appropriations Act (2010–11 Biennium) provided guidelines for distributing this funding.

For the 2010–11 biennium, THECB is authorized to allocate up to \$1.75 million per year to schools experiencing a growth rate of five percent or greater in 2010 and eight percent or greater in 2011. The Eighty-second Legislature, 2011, did not provide any dramatic enrollment growth funding in the 2012-13 biennium.

OTHER TRUSTEED FUNDS

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

TEXAS STATE TECHNICAL COLLEGE/ LAMAR STATE COLLEGES

The Texas State Technical Colleges (TSTC) and Lamar State Colleges are allocated a majority of their appropriation via two formulas: the Instruction and Administration Formula for two-year institutions and the Infrastructure Formula for general academic institutions. Similar to general academic institutions, the tuition revenue for these colleges is included in the appropriations bill.

Contact hours for vocational/technical courses represent approximately 61 percent of total contact hours at the Lamar State Colleges and 72 percent at TSTC institutions. The remaining contact hours are generated from academic and continuing education courses.

Facilities funding is available from the Higher Education Fund for both TSTC and the Lamars State Colleges, and both have received Tuition Revenue Bond authorizations.

The Community Colleges section of this report includes subsections on Higher Education Group Insurance, Other Staff Benefits, and Dramatic Enrollment Growth. These three subsections apply to appropriations for Texas State Technical Colleges and the Lamar State Colleges as well.

FUNDING TEXAS A&M SYSTEM AGENCIES

There are seven research and service agencies that are administered by the Texas A&M University System. The system agencies' missions differ from other institutions of higher education in that each system agency focuses on one or two of the three traditional missions of higher education institutions: research, extension, and service (**Figure 22**).

For the 2012–13 biennium, the total direct appropriations for Texas A&M System (System) agencies are \$889.7 million. In addition to state appropriations, the System agencies receive some Federal Funds that are not included in the General Appropriations Act and have access to private funds. While System agencies have significant portions of their Other Funds and Federal Funds appropriated, the appropriations are estimated, and actual income from these funding sources is subject to significant variation.

FIGURE 22
TEXAS A&M SYSTEM AGENCIES MISSIONS AND FUNCTIONS

| | STATUTORY AUTHORITY | MISSION/FUNCTIONS |
|--|---------------------------------------|--|
| Texas A&M AgriLife Research | Education Code, Title III, Chapter 88 | Conducts research in the agricultural, environmental, and life sciences. Goals include enhancing the competitiveness of agricultural industries and natural resource conservation. Research highlights: bioenergy, irrigation efficiency, and the use of distiller's grain in feedlots. Administers the honey bee regulation and feed and fertilizer programs. |
| Texas A&M AgriLife Extension Service | Education Code, Title III, Chapter 88 | Provides training and educational programs, including 4-H, through extension agents serving every county in Texas and supported by federal, state, and county funds. Provides wildlife and insect management services including feral hog abatement and boll weevil eradication. |
| Texas A&M Engineering Experiment Station | Education Code, Title III, Chapter 88 | Conducts engineering and technology research with a focus on interdisciplinary research based on statewide priorities. Research highlights: energy independence, efficiency, and conservation, alternative energy, and national security. |
| Texas A&M Transportation Institute | Education Code, Title III, Chapter 88 | Conducts transportation related research and develops technology. Approximately 50 percent of research expenditures from interagency contracts are contracted from the Texas Department of Transportation. |
| Texas A&M Engineering Extension Service | Education Code, Title III, Chapter 88 | Provides training, technical assistance, and emergency response to enhance public safety, security, and economic growth. Operates the Brayden Fire Training Field and the Emergency Operations Training Center. Texas Task Force 1 is deployed for emergency response and search and rescue operations. |
| Texas A&M Forest Service | Education Code, Title III, Chapter 88 | Provides incident management teams and emergency response as well as wildfire prevention, detection, and suppression services. The Texas Wildfire Protection Plan is the agency's wildfire response model. Administers the Rural Volunteer Fire Department Assistance Program, which gives grants to local fire departments for equipment and training. |
| Texas A&M Veterinary Medical Diagnostic Laboratory | Education Code, Title III, Chapter 88 | Provides fee-based veterinary medical diagnostic services which contribute to an animal and zoonotic disease surveillance system. Responds to potential high consequence and/or emerging disease events. Develops new diagnostic testing technologies. |

SOURCE: Legislative Budget Board.

FIGURE 23
TEXAS A&M SYSTEM AGENCIES COMPARED TO INSTITUTIONS OF HIGHER EDUCATION

| SIMILARITIES | DIFFERENCES |
|--|--|
| <p>FUNDING</p> <ul style="list-style-type: none"> Both Texas A&M System (System) agencies and institutions of higher education have considerable flexibility in their budgeting and financial operations (“lump sum” appropriations). Both are eligible to receive proceeds from the Permanent University Fund. Both are considered to be institutions of higher education for purposes of employee group health insurance. Both System agencies and institutions of higher education generate and keep 100 percent of indirect cost recovery from research and other grants. | <ul style="list-style-type: none"> General academic, health-related, and two-year institutions receive formula funding, while System agencies do not. Texas A&M System agencies do not generate revenue in the same manner or amount of other higher education institutions. |
| <p>PERFORMANCE MEASURES</p> | <ul style="list-style-type: none"> Performance measures for the System agencies are agency-specific, while performance measures for other higher education institutions are standardized. |
| <p>OPERATIONS</p> <ul style="list-style-type: none"> Like other institutions of higher education, System agencies are not required to submit operating budgets or strategic plans. Both are statutorily embedded within the Texas A&M System’s institutional framework. | |

SOURCE: Legislative Budget Board.

In several ways, state funding for System agencies is similar to funding for higher education institutions. System agencies have considerable flexibility in their budgeting and financial operations because they receive lump-sum appropriations in the same manner as other institutions of higher education. They are eligible to receive funds from the Permanent University Fund (PUF). (They were allocated \$15.3 million from the PUF for debt service in the 2012–13 biennium.) System agencies are also funded in the same manner as other institutions of higher education with regard to staff benefits, including employee group health insurance contributions.

However, there are several funding differences between System agencies and other higher education institutions. Most significantly, System agencies do not receive formula-based funding. Also, while some System agencies may charge fees for their services, they do not generate tuition and fees in the same manner or quantity as other institutions of higher education.

As is the case with all institutions, the System agencies keep 100 percent of their respective indirect cost recovery income

because this income is derived from earnings on federal grants and is held outside the treasury.

For the 2012–13 biennium, funding associated with infrastructure expenses and utilities for System agencies inside Brazos County is equal to the infrastructure rate (as determined by the General Academic formulas on page 6) for Texas A&M University.

APPENDIX A: FREQUENTLY ASKED QUESTIONS

Q: What are the limitations on how institutions spend state appropriations?

A: Generally speaking, institutions have great flexibility in spending appropriated funds; however, some limitations do exist depending on the source of revenue. Appropriated revenue includes General Revenue Funds, General Revenue–Dedicated Funds (mostly tuition and fee income), Other Funds (including Patient Income), and Federal Funds (for certain Texas A&M System Agencies). The Texas Constitution (Article VII, Section 18(i) and 17(j)) prohibits, with limited exceptions, the use of General Revenue Funds for acquiring land or for construction projects. An exception occurs when the legislature, by two-thirds vote in each house, expressly determines that there is a demonstrated need for the project.

Various provisions in the 2012–13 General Appropriations Act (GAA), Higher Education Special Provisions restrict state appropriations. These restrictions include the following:

- Section 6, (Rider. 8b), which prohibits the use of appropriated funds for auxiliary enterprises;
- Section 6, (Rider. 9), which limits the use of these funds to pay debt service for statutorily authorized tuition revenue bonds. Any such appropriation not spent must be returned to the General Revenue Fund at the end of the year;
- Section 9, which prohibits the use of appropriated funds for intercollegiate athletics purposes; and
- Section 54, which limits the use of the Research Development Fund to those defined in Education Code Section 62.091.

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

A: The result depends on how the Legislature responds.

For instance, assume that the Eight-second Legislature, 2011, changed the statute to require institutions to charge nonresident tuition in circumstances where they had previously waived the nonresident tuition rate. For the 2012–13 biennium, institutions would benefit fully from the

increase in tuition revenue. (This assumes the formula calculation would not include a projected increase in tuition.)

However, institutional appropriations in the 2014–15 biennium now depend on that legislation passed in the Eighty-third Legislature, 2013. Assuming the same number of students (semester credit hours) enroll regardless of changes in tuition policy and that the result of charging nonresident tuition generated \$100 million in additional tuition revenue, there are three options:

1. Reduce General Revenue Funds (GR) in the formulas by \$100 million: In this scenario the formula rate stays the same and every dollar increase in tuition revenue results in a dollar decrease in GR—institutional funding does not increase.
2. Keep GR the same and run the additional tuition revenue through the formulas: The formula funding rate would increase and every institution would receive more funds, including those institutions that generated no additional tuition revenue.
3. Keep GR formula appropriations at the same level, and let individual institutions keep the additional tuition revenue they generated outside the formula allocation.

Q: Are all tuition and fee revenues collected by institutions of higher education included in the appropriations bill?

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 (Education Code 54.051. Tuition Rates), board authorized tuition (Education Code 54.008. Tuition Rate Set by Governing Board), Laboratory Fees (Education Code 54.501), and certain other fees are appropriated in the GAA as General Revenue Funds–Dedicated Estimated Other Educational and General Income. There are a number of other tuitions and fees that are not included in the GAA and therefore not referred to as state funding. Such tuitions and fees include, but are not limited to, designated tuition (Education Code 54.0513. Redesignation of Building Use Fee) and Incidental Fees (Education Code 54.504). Federal

Funds are also 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 formula funding hold harmless?

A: No. Each session the Legislature makes a determination of whether it will make an appropriation for formula hold harmless. A decrease in total enrollment is one reason an institution could be eligible for the funding. Because the semester credit hours (general academic institutions), full-time student equivalents (health-related institutions) used in the formulas are based on weights (discipline, program, and course level), a change in the type of student enrollment, regardless of total enrollment, could also make an institution eligible for hold harmless funding.

Q: What are Educational and General Funds?

A: “Other Educational and General Income” is a subset of “Educational and General Income.” The following are included in the Education Code (51.009(c)) definition for “Educational and General Funds”: net tuition; special course fees charged under Education Code, 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.

Q: What does it mean to be a Tier One institution?

A: The Tier One reference is often derived from the Carnegie Foundation for the Advancement of Teaching’s prior system for classifying institutions of higher education. As part of the 1994 version of the Carnegie Classification, there were four categories for doctorate granting institutions: Research Universities I; Research Universities II; Doctoral Universities I; and Doctoral Universities II. “Tier One” was synonymous with Research Universities I. Such institutions had to offer a full range of baccalaureate programs, award 50 or more doctoral degrees each year, and receive annually at least \$40 million or more in federal research funds. Two institutions in Texas (The University of Texas at Austin and Texas A&M University) met these criteria. The 2000 version of the Carnegie Classification collapsed the categories for doctorate granting institutions from four to two: Doctoral/Research Universities—Extensive and Doctoral/Research Universities—Intensive. Six public institutions in Texas (Texas A&M University, Texas Tech University, University of Houston, University of North Texas, The University of Texas at Arlington, and The University of Texas at Austin) meet the criteria for Doctoral/Research Universities—

Extensive. In 2005, however, the classification structure returned to a more restricted top tier of institutions classified as “Research Universities (very high research activity).” Both The University of Texas at Austin and Texas A&M University are now counted in this category, but any reference to Tier One usually refers to the 1994 Carnegie Classification.

Q: What is the space model? What is the base number of square feet needed?

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 (NASF) of educational and general space an institution needs. There are five categories 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 a number of elements within each category, including the number of students and their program levels and the amount of research expenditures. The space model was first incorporated into the funding formulas for general academic institutions in 1997.

Q: What are “Organized Activities”?

A: General academic institutions have a funding strategy titled “Organized Activities.” These are activities or enterprises that are connected with instructional departments. They are intended primarily to give training to students. Examples include a university farm, nursery/preschool programs, an optometry clinic, and lifeguard training.

Q: What are tuition revenue bonds?

A: Established in 1971 under Education Code, 55.13, tuition revenue bonds are bonds (not to exceed 50 years) issued by institutions of higher education for the purpose of “providing funds to acquire, purchase, construct, improve, enlarge, and/or equip any property, buildings, structures, activities, services, operations, or other facilities, for and on behalf of its institution or institutions, or any branch of branches thereof.” Each institution/system is authorized and required to pay debt service on its bonds. Although the authorization and issuance of the bonds is not contingent on an appropriation by the state for related debt service, the Legislature has provided General Revenue Funds to reimburse institutions for costs related to debt service. However, in the 2004–05 GAA the legislature changed this practice and only provided General Revenue Fund reimbursements for interest

on bonds issued after March 31, 2003. The 2006–07 GAA renewed the practice of reimbursing institutions for the costs related to debt service. The 2008–09 GAA and 2010–11 GAA continues this practice.

Q: What Is Proportionality?

A: Pursuant to Section 6.08 of Article IX of the 2012–13 GAA, the legislative intent of proportionality is to “maximize balances in the General Revenue Fund” by harmonizing salary funding source with benefits funding source. This effectively means the Legislature limits its General Revenue Fund contributions for benefits only to those employees having salaries paid with General Revenue Funds. As such, proportionality requires employee health and retirement benefits be paid in “proportion” to the funding source of salaries. To this end, institutions are obligated to submit the Accounting Policy Statement 011 Benefits Proportional by Fund (APS 011) report to the Comptroller. This document provides a structure by which state and local contributions are “settled up” in light of the fiscal years fund proportionality.

Q: What Is the National Research University Fund?

A: In 1995, the Texas Constitution was amended to authorize the creation and funding of the Permanent Higher Education Fund (PHEF). The PHEF was intended eventually to become a permanent endowment to support non-Permanent University Fund eligible institutions. However, the PHEF corpus was rededicated with the voter passage of Proposition 4, which amended Article 7 of the Texas Constitution by establishing the National Research University Fund (NRUF). In 2009, Proposition 4 transferred the balance of the PHEF to the credit of the NRUF as of January 1, 2010, and repealed the constitutional authorization for the PHEF.

The NRUF is intended to provide a source of funding to enable emerging research universities in Texas to achieve national prominence as major research universities. Article VII of the Texas Constitution authorizes the Legislature to appropriate some or all of the total return on all investment assets of the NRUF for the purposes of the fund, except for two caveats: (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 of the NRUF corpus in any fiscal year must be capped at 7 percent of the investment assets’ average net fair market value. Until the NRUF has been invested long enough to determine its purchasing power over a 10-year period, the Legislature is

authorized to use other means of preserving the purchasing power of the fund.

House Bill 1000, Eighty-second Legislature, Regular Session, 2011, establishes the specific eligibility and distribution criteria for the 2012–13 NRUF appropriations. To be eligible to receive NRUF appropriations, an institution must meet two mandatory criteria and four out of six optional criteria. The mandatory criteria are that the institution is designated as an emerging research university within the THECB’s Accountability System, and that the institution reported at least \$45 million in restricted research expenditures in each of the preceding two fiscal years. Optional criteria include the following: possession of an endowment fund values in excess of \$400 million; awarding over 200 Doctor of Philosophy degrees per year; having an entering freshman class of high academic achievement; recognition of institution’s research capability and scholarly attainment; possession of a high-quality faculty; and possession of high-quality graduate education programs.

APPENDIX B: TUITION AND FEE PROVISIONS

VTCA, Texas Education Code Section 54.003 states:

No institution of higher education may collect from students attending the institution any tuition, fee, or charge of any kind except as permitted by law...

The laws governing tuition and fees at institutions of higher education are found in Education Code Section 54, including a limited number of rules that relate to tuition and fees charged by junior and community colleges. Education Code Section 54 includes statutes regarding statewide tuition and fee authority, rules regarding residency for tuition and fee purposes, and various exemptions for tuition and fees from nonresidency status. Also, it includes specific fee authority for individual institutions. **Figure B1** provides a listing of tuition and fee authorizations in Education Code Section 54, but does not include the items presented below or the various exemption and waiver provisions. (Details about each provision can be found at <http://www.capitol.state.tx.us/>) There are isolated instances outside Chapter 54 whereby the boards of regents are authorized to charge for specific services provided to students.

This appendix highlights some of the more prominent tuition and fee provisions and indicates whether the related revenue is or is not included in the General Appropriations Act (GAA).

INCLUDED IN THE GENERAL APPROPRIATIONS ACT

Tuition and fee revenue included in the GAA as General Revenue Dedicated–Funds is referenced as “Other Education and General Income.” The amounts are “Estimated,” so whatever amount of revenue generated is the actual amount available to the institution to spend.

54.051 Tuition Rates: (statutory tuition): In conjunction with Section 54.0512 Interim Tuition Rates, resident tuition for undergraduate students reached \$50 per semester credit hour in the 2005–06 academic year (the 2006 state fiscal year). 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 must make this computation each academic year.

54.008 Tuition Rate Set by Governing Board: (also known as board authorized tuition): Applies to graduate programs. Subsection (d) specifies that it is not to be used in the GAA as an offset to General Revenue Funds. It is distributed across formula strategies after the formula calculation.

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 is not to be less than \$2 or more than \$30 per semester, and it must not exceed the actual cost of materials and supplies.

NOT INCLUDED IN THE GENERAL APPROPRIATIONS ACT

54.0513 Designated Tuition: Statute defines designated tuition as an institutional fund, which means the revenue is not considered part of “educational and general funds.” The governing board can waive designated tuition for a student (see 54.261). Statute specifies that this revenue not be used in the GAA as a way to offset General Revenue.

54.503 Student Services Fees: This is intended for activities which 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 (see 54.513) and components of the University of Houston System (see 54.5061), the maximum of all compulsory student services cannot exceed \$250 per semester. It is kept separate from educational and general funds.

54.504 Incidental Fees: The governing board sets the fee, which must reasonably reflect the actual cost of the materials or services for which the fee is collected. Examples of unearned fees include late registration, library fines, microfilming fees, thesis or doctoral manuscript reproduction or filing fees, and bad check charges.

55.16 Board Responsibility: The governing board is authorized to “fix and collect rentals, rates and charges.”

FIGURE B1
TEXAS EDUCATION CODE, CHAPTER 54 TUITION AND FEE PROVISIONS

| | |
|---------------|--|
| 54.006. | Refund or Adjustment of Tuition and Mandatory Fees for Dropped Courses and Student Withdrawals |
| 54.0065. | Tuition Rebate for Certain Undergraduates |
| 54.007. | Option to Pay Tuition by Installment |
| 54.0071. | Authority of Institution to Provide Payment Options for Student with Delayed Financial Aid |
| 54.009. | Increase in Tuition Rate or Fees |
| 54.010. | Reduction in Tuition |
| 54.011. | Tuition Limit in Cases of Concurrent Enrollment |
| 54.012. | Tuition Rates for Certain Doctoral Students |
| 54.014. | Tuition for Repeated or Excessive Undergraduate Hours |
| 54.015. | Billing and Notification for Tuition |
| 54.016 | Fixed Tuition Rate Program for Certain Transfer Students at General Academic Teaching Institutions |
| 54.052–54.057 | Residency Provisions |
| 54.2031. | Dependent Children of Residents Who are Members of Armed Forces Deployed on Combat Duty |
| 54.204. | Children of Disabled Firefighters and Law Enforcement Officers |
| 54.2041. | Disabled Peace Officers |
| 54.205. | Blind, Deaf Students |
| 54.206. | Foreign Service Officers |
| 54.208. | Firefighters Enrolled in Fire Science Courses |
| 54.2081. | Peace Officers Enrolled in Certain Courses |
| 54.211. | Faculty and Dependents |
| 54.212. | Teaching and Research Assistant |
| 54.213. | Scholarship Student |
| 54.214. | Biomedical Research Program; Scholarship Student |
| 54.221. | The University of Texas System; Science and Technology Development, Management, and Transfer |
| 54.222. | Economic Development and Diversification |
| 54.223 | Tuition Rates for Olympic Athletes |
| 54.231 | Resident of Boarding State or Nation or Participant in Student Exchange Program: Tuition |
| 54.232 | NATO Agreement |
| 54.233 | Academic Common Market |
| 54.241 | Military Personnel and Dependents |
| 54.331 | Students from other Nations of the American Hemisphere |
| 54.341 | Veterans and Other Military Personnel: Dependents |
| 54.342 | Prisoners of War |
| 54.343 | Children of Prisoners of War or Persons Missing in Action |
| 54.344 | Participants in Military Funerals |
| 54.345 | Assistance for Tuition and Fees for Members of State Military Forces |
| 54.351 | Children of Disabled Firefighters and Law Enforcement Officers |
| 54.352 | Disabled Peace Officers, Optional Exemption |
| 54.353 | Firefighters and Peace Officers Enrolled in Certain Courses |
| 54.3531 | Firefighters Enrolled in Fire Science Courses |

FIGURE B1 (CONTINUED)
TEXAS EDUCATION CODE, CHAPTER 54 TUITION AND FEE PROVISIONS

| | |
|-----------|--|
| 54.354 | Education Benefits for Certain Survivors |
| 54.355 | Children of Professional Nursing Program Faculty |
| 54.356 | Preceptors for Professional Nursing Education Programs |
| 54.363 | Educational Aids |
| 54.364 | Blind, Deaf Students |
| 54.365 | Senior Citizens, Optional Benefit |
| 54.5011. | Charges and Fees for Certain Payments |
| 54.502. | General Deposits |
| 54.5021. | Student Deposit Fund; Composition and Uses |
| 54.5025. | Proration of Fees |
| 54.5031. | Student Fee Advisory Committee |
| 54.5032. | Student Fee Advisory Committee; the Texas A&M University System |
| 54.5041. | Environmental Service Fee |
| 54.505. | Vehicle Registration Fees and Other Fees Related to Parking and Traffic |
| 54.506. | Fees and Charges for Services to the Public; the University of Houston System |
| 54.5061. | Student Services Fees; the University of Houston System |
| 54.5062. | Student Fees Advisory Committee; the University of Houston System |
| 54.507. | Group Hospital and Medical Services Fees; Texas A&M University System |
| 54.508. | Medical Services Fee; Texas Tech University System Components |
| 54.5081. | Medical Services Fee; University of North Texas System Institutions |
| 54.5082. | Medical Services Fee; Midwestern State University |
| 54.5085. | Medical Services Fee; Texas Woman's University |
| 54.5089. | Medical Services Fee; Texas State University System Components |
| 54.50891. | Medical Services Fee; The University of Texas System Components |
| 54.509. | Student Recreation Fee; Texas Tech University System Components |
| 54.5091. | Student Recreational Facility Fee; University of North Texas |
| 54.510. | Student Recreational Sports Fee; The University of Texas at Austin |
| 54.511. | Student Fees for Bus Service; Texas State University |
| 54.5111. | Environmental Service Fee; Southwest Texas State University |
| 54.512. | Shuttle Bus Fee; The University of Texas at Arlington |
| 54.5121. | Intercollegiate Athletic Fee; The University of Texas at Arlington |
| 54.5122. | Recreational Facility Fee; The University of Texas at Arlington |
| 54.513. | Student Service Fees; The University of Texas at Austin |
| 54.5131. | International Education Fee; The University of Texas at Austin |
| 54.5132. | International Education Fee |
| 54.5133. | Martin Luther King, Jr., Statue Fee; The University of Texas at Austin |
| 54.5134. | Washington, D.C., Internship Education Fee |
| 54.5135. | Barbara Jordan and Cesar Chavez Statues Fee; The University of Texas at Austin |
| 54.515. | Student Union Fee |
| 54.518. | University Center Fee; Midwestern State University |

FIGURE B1 (CONTINUED)
TEXAS EDUCATION CODE, CHAPTER 54 TUITION AND FEE PROVISIONS

| | |
|----------|---|
| 54.519. | Student Union Fee; North Texas State University |
| 54.5191. | Intercollegiate Athletic Fee; University of North Texas |
| 54.520. | University Center Student Fee; Stephen F. Austin State University |
| 54.5201. | Recreational Sports Fee; Stephen F. Austin State University |
| 54.521. | Student Center Facility Fees; Texas A&M University System |
| 54.522. | Student Center Fees; Texas Southern University |
| 54.5221. | Recreational Facility Fee; Texas Southern University |
| 54.5222. | Medical Services Fee; Texas Southern University |
| 54.5223. | Intercollegiate Athletics Fee; Texas Southern University |
| 54.523. | Student Center Fees; Texas State University System |
| 54.5241. | Student Union Fees; Texas Tech University System |
| 54.525. | Fees for Student Centers; Texas Woman's University |
| 54.5251. | Student Fitness and Recreational Fee; Texas Woman's University |
| 54.526. | Student Fees for University Centers; the University of Houston |
| 54.527. | Student Fees for University Center Facilities; the University of Houston-Downtown College |
| 54.528. | Recreational Facility Fee; the University of Houston |
| 54.529. | Student Union Fee; The University of Texas at Arlington |
| 54.530. | Student Union Fees; The University of Texas at Austin |
| 54.531. | Student Union Building Fees; The University of Texas at Dallas |
| 54.5311. | Transportation Fee; The University of Texas at Dallas |
| 54.5312. | Student Services Building Fee; The University of Texas at Dallas |
| 54.5313. | Intramural and Intercollegiate Athletics Fee; The University of Texas at Dallas |
| 54.532. | Student Union Building Fees; The University of Texas at San Antonio |
| 54.5321. | Transportation Fee; The University of Texas at San Antonio |
| 54.5322. | Intercollegiate Athletics Fee; The University of Texas at San Antonio |
| 54.533. | Student Union Fees; The University of Texas of the Permian Basin |
| 54.5331. | Intercollegiate Athletic Fee; The University of Texas of the Permian Basin |
| 54.5332. | Fees for Student Services Building; The University of Texas of the Permian Basin |
| 54.534. | Arts and Performance Center Fee; The University of Texas at Tyler |
| 54.5341. | Student Recreational Facility Fee; The University of Texas at Tyler |
| 54.5342. | Intercollegiate Athletics Fee; The University of Texas at Tyler |
| 54.5343. | Student Union Fee; The University of Texas at Tyler |
| 54.535. | Student Union Fee; The University of Texas at El Paso |
| 54.536. | Fees for Student Health Services Building; The University of Texas at Austin |
| 54.537. | Fees for Student Services Building; The University of Texas at Austin |
| 54.5371. | Gregory Gymnasium Renovation Fee; The University of Texas at Austin |
| 54.5372. | Aquatics Center Fee; The University of Texas at Austin |
| 54.538. | Recreational Sports Fee; Texas State University System |
| 54.5381. | Intercollegiate Athletics Fee: Certain Institutions in Texas State University System |
| 54.5382. | Intercollegiate Athletics Fee: Texas State University – San Marcos |

FIGURE B1 (CONTINUED)
TEXAS EDUCATION CODE, CHAPTER 54 TUITION AND FEE PROVISIONS

| | |
|----------|---|
| 54.539. | Recreational Sports Fee; the Texas A&M University System |
| 54.5391. | Intercollegiate Athletics Fee; Texas A&M University – Corpus Christi |
| 54.5392. | Intercollegiate Athletics Fee; Texas A&M University – Kingsville |
| 54.5393. | Intercollegiate Athletics Fee; Prairie View A&M University |
| 54.5394. | Intercollegiate Athletics Fee; Tarleton State University |
| 54.5395. | Intercollegiate Athletics Fee; Texas A&M International University |
| 54.5396. | Intercollegiate Athletics Fees; West Texas A&M University |
| 54.5397. | Intercollegiate Athletics Fees; Texas A&M University – Commerce |
| 54.5398. | Student Endowment Fund Fee; Texas A&M University – Corpus Christi |
| 54.540. | Student Center Fee, University of Houston – Clear Lake |
| 54.541. | Recreational Facility Fee; The University of Texas at El Paso |
| 54.542. | Student Union Building Fee; The University of Texas – Pan American |
| 54.5421. | Sports Recreation and Wellness Facility Fee; The University of Texas – Pan American |
| 54.543. | Recreational Facility Fee; The University of Texas at San Antonio |
| 54.544. | Recreational Facility Fee; The University of Texas at Dallas |
| 54.5441. | Student Recreational and Health Facilities Fee; Midwestern State University |
| 54.5442. | Intercollegiate Athletics Fee; Midwestern State University |
| 54.545. | Fees for Continuing Education Courses |
| 54.546. | Student Union Fees; The University of Texas at Brownsville |
| 54.550. | Wellness, Recreational, and Fitness Complex Fee; The University of Texas at Brownsville |
| 54.551. | Intercollegiate Athletics Fee; The University of Texas at Brownsville |

APPENDIX C: GLOSSARY

APPROPRIATION METHODOLOGIES

Direct Appropriation: The actual appropriation, either estimated or sum certain, listed in that institution's portion of the General Appropriations Act (GAA).

Indirect Appropriation: An appropriation made on behalf of an institution but not listed in that institution's portion of the GAA. Examples include appropriations to the Available University Fund, the Higher Education Fund, and the Higher Education Coordinating Board, all of which are ultimately allocated to institutions.

Estimated Appropriation: An estimated appropriation is a figure in the GAA that best reflects the information available about the revenue source, but the amount available for an institution to spend is contingent on the amount of revenue actually generated. If the actual amount of revenue is less than the estimated amount, the institution is limited to the lower amount. If more revenue is generated than the estimated amount, the institution can spend the higher amount.

Sum Certain Appropriation: A sum certain appropriation in the GAA means that an institution is limited to spend no more than the level of appropriation noted in the institution's bill pattern in the GAA.

Lump Sum Appropriation: Texas Education Code, Section 61.059(k) calls for flexibility in funds appropriated to higher education institutions. A lump sum appropriation is a single amount that is unrestricted, which means that it can be used for any variety of strategies. The GAA provides an "Informational Listing of Appropriated Funds" below each institution's lump sum appropriation. Higher education institutions are not required to spend their appropriation within specified strategies. One exception to this is the Tuition Revenue Bond strategy, which represents the appropriation related to debt service on related bonds and must be spent as appropriated or it is reverted to the treasury.

METHODS OF FINANCE

General Revenue (GR): The non-dedicated 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 non-dedicated General Revenue Funds.

General Revenue–Dedicated (GR–D): This is the dedicated portion of General Revenue Funds. For higher education institutions, the bulk of General Revenue–Dedicated Fund appropriations consist of tuition and fee revenue generated by the institutions. These include the tuition and fee revenue included as "Other Educational and General Income" (defined below), "board authorized tuition" (Texas Education Code, Section 54.008).

Other Funds: State funds not included in General Revenue Funds or General Revenue–Dedicated Funds. For institutions of higher education these include the Available University Fund and Patient Income generated by health-related institutions.

FUND TYPES

Educational and General Income: The Texas Education Code (51.009(c)) definition for "Educational and General Funds" includes (a) net tuition; (b) special course fees charged under Education Code, Section 54.051(e) and (l); (c) lab fees; (d) student teaching fees; (e) hospital and clinic fees; (f) organized activity fees; and (g) proceeds from the sale of educational and general equipment.

Institutional Funds: 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" (Texas Education Code, Section 54.0513). These funds are not included in the GAA.

Local Funds: 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: The GAA includes some tuition and fees collected by institutions of higher education (General Revenue–Dedicated Funds). The revenue from tuition and fees such as statutory tuition (see Texas Education Code, Section 54.051. Tuition Rates), board authorized tuition (see Texas Education Code, Section 54.008. Tuition Rate Set by Governing Board), Laboratory

Fees (Texas Education Code, Section 54.501), and certain other fees are considered Other Educational and General Income (Other E&G) and are appropriated in the GAA as General Revenue–Dedicated Funds. Other Educational and General Income is a subset of Educational and General Income (E&G Income).

Patient Income: Health-related institutions that operate hospitals or dental clinics generate patient income from services rendered. It is allocated as a method of finance to the related institution across a range of strategies in the institution’s bill pattern (Other Funds). For the 2010–11 biennium, more than \$4.8 billion in patient income was appropriated, making it the largest method of finance for health-related institutions.

OTHER ITEMS

Indirect Cost Recovery: Institutions negotiate a percentage of a grant with the federal government for Indirect Costs. There are a number of factors included in the calculation, including building and equipment use allowance; operations and maintenance; general, departmental, and sponsored projects administration; and library costs.

APPENDIX D: CONSTITUTIONAL AND RESEARCH FUNDS

**FIGURE D1
COMPARISON OF CONSTITUTIONAL AND RESEARCH FUNDS, 2012–13 BIENNIUM**

| 2012–13 | | 2012–13 | | | 2012–13 | |
|---------------------------|-------------------------------|---|--|--|---|--|
| FUND | APPROPRIATIONS | FUNCTION/PURPOSE | ELIGIBILITY | LEGAL BASIS | ALLOCATION METHODOLOGY | |
| Available University Fund | \$1,061.4 million (Estimated) | Texas Constitution: "...for the purpose of acquiring land ...constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under this Section..." Also: "...for the purpose of the support and maintenance of The Texas A&M University System administration, Texas A&M University, and Prairie View A&M University" and "The University of Texas at Austin and The University of Texas System". | Texas Constitution: For "support and maintenance": UT Austin, Texas A&M University, Prairie View University, UT System, A&M System For debt service: All components, including the TAMU System Agencies except Texas Veterinary Medical Diagnostic Laboratory (which per Education Code Section 88.701 "is a state agency under the jurisdiction and supervision of the board"), and excluding UT Pan American and UT Brownsville (because they receive HEF allocations - an institution cannot receive both AUF and HEF dollars). | Article VII, Section 18(a-j) of the Texas Constitution General Appropriations Act | Texas Constitution requires 1/3 of the annual AUF proceeds be transferred to the Texas A&M University System. Each System office determines how to apportion its share of the AUF between debt service and "support and maintenance", within guidelines specified by the Texas Constitution. | |
| Higher Education Fund | \$525.0 million | To support institutions ineligible for AUF support. Article VII, Section 17(a): "...for the purpose of acquiring land... constructing and equipping buildings ...major repairacquisition of capital equipment...other permanent improvements, or capital equipment used jointly for educational and general activities...." | Article VII, Section 17(c) provides an allowance to add a new institution by a 2/3 vote of both houses of the Legislature if the new institution is outside the UT and A&M Systems. | Article VII, Section 17(a-l) of the Texas Constitution Education Code, Section 62.002 General Appropriations Act | Article VII, Section 17(a) requires the HEF be allocated using an "equitable formula", defined in the Education Code (Section 62.021) as: "The allocation of funds under this subsection is made in accordance with an equitable formula consisting of the following elements: space deficit, facilities condition, institutional complexity, and a separate allocation for the Texas State Technical College System." THECB administers the HEF formula reallocation advisory process. Education Code (Section 62.021) provides a by-institution breakout of annual HEF appropriations. | |

**FIGURE D1 (CONTINUED)
COMPARISON OF CONSTITUTIONAL AND RESEARCH FUNDS, 2012–13 BIENNIUM**

| FUND | 2012–13 APPROPRIATIONS | FUNCTION/PURPOSE | ELIGIBILITY | LEGAL BASIS | ALLOCATION METHODOLOGY |
|-----------------------------------|-------------------------------|--|--|--|---|
| National Research University Fund | \$12.4 million (Estimated) | Article VII, Section 20 (a): "...for the purpose of providing a dedicated, independent, and equitable source of funding to enable emerging research universities in this state to achieve national prominence as major research universities." | Designated an emerging research university by Texas Higher Education Coordinating Board. Reports at least \$45 million in restricted research expenditures in each of the last 2 years. Plus four of the following additional criteria: 1) Endowments > \$400 million; 2) Produces > 200 PhDs per year; 3) Selective entering Freshmen class; 4) Member of Phi Beta Kappa or equivalent; 5) Possesses high quality faculty; and 6) Demonstrated commitment to high-quality graduate education. | Article VII, Section 20 (a-h) of the Texas Constitution Education Code, Section 62.141 General Appropriation Act | Education Code, Section 62.146 (c): "...of the total amount appropriated from the fund for distribution in a state fiscal year, 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 any amount remaining after distributions are calculated under Subdivision (1), not to exceed an amount equal to one-fourth of that remaining amount." Education Code, Section 62.146 (e): "If the number of institutions that are eligible for distributions in a state fiscal year is more than four, each eligible institution is entitled to an equal share of the total amount appropriated from the fund for distribution in that fiscal year." |
| Research Development Fund | \$65.3 million | Education Code Section 62.091: "...to promote increased research capacity at eligible general academic teaching institutions." | Education Code Section 62.092: "Eligible institution" means a general academic teaching institution, as defined by Section 61.003, other than The University of Texas at Austin, Texas A&M University, or Prairie View A&M University." | Education Code, Section 62.091 Note, the RDF as a stand-alone appropriation item has not been funded since the 2006–07 biennium. However, funds called the RDF have been appropriated directly into the bill patterns of each eligible General Academic Institution. | Education Code Section 62.095: "The amount shall be apportioned among the eligible institutions based on the average amount of restricted research funds expended by each institution per year for the three preceding state fiscal years." |
| Texas Competitive Knowledge Fund | \$93.5 million | Section 56 of Higher Education Special Provisions, GAA, 2012–13 biennium: "...to support faculty for the purpose of instructional excellence and research." | University of Texas at Austin, University of Texas at Dallas, Texas A&M University, Texas Tech University, University of Houston | General Appropriations Act | The 2012–13 appropriation provided about \$0.7 million to each eligible institution for every \$10.0 million in unrestricted research expenditures as averaged over a 3-year period. |

**FIGURE D1 (CONTINUED)
COMPARISON OF CONSTITUTIONAL AND RESEARCH FUNDS, 2012–13 BIENNIUM**

| 2012–13 | | | | | |
|--------------------------------------|----------------|---|---|--|---|
| FUND | APPROPRIATIONS | FUNCTION/PURPOSE | ELIGIBILITY | LEGAL BASIS | ALLOCATION METHODOLOGY |
| Research University Development Fund | None | Texas Education Code Section 62.051: "... to provide funding to research universities and emerging research universities for the recruitment and retention of highly qualified faculty and the enhancement of research productivity at those universities." | Education Code Section 62.051: "Eligible institution" means an institution of higher education designated as a research university or emerging research university under the coordinating board's accountability system." | Education Code, Section 62.051 | Education Code Section 62.053: "...to eligible institutions based on the average amount of total research funds expended by each institution annually during the three most recent state fiscal years, according to the following rates: (1) at least \$1 million for every \$10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is \$50 million or more; and (2) at least \$500,000 for every \$10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is less than \$50 million." |
| Texas Research Incentive Program | \$35.6 million | Education Code, Section 62.122: "...to provide matching funds to assist eligible institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment." | Education Code, Section 62.121: "...Eligible institution" means an institution of higher education designated as an emerging research university under the coordinating board's accountability system." | Education Code, Section 62.121 (House Bill 51, Eighty-first Regular Session) | Education Code, Section 62.123: "...is entitled to receive, out of funds appropriated for the purposes of the program for that fiscal year, a matching grant in an amount determined according to the following rates: (1) 50 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is \$100,000 or more but not more than \$999,999; (2) 75 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is \$1 million or more but not more than \$1,999,999; or (3) 100 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is \$2 million or more. |

SOURCE: Legislative Budget Board.

APPENDIX E: SUMMARY OF BIENNIAL STATE BUDGET

FIGURE E1
ALL FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11 ¹ | APPROPRIATED 2012–13 ² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|--|--------------------------------------|--------------------------|----------------------|
| PUBLIC EDUCATION | | | | |
| Texas Education Agency | \$50,119,391,873 | \$47,339,213,388 | (\$2,780,178,485) | (5.5) |
| School for the Blind and Visually Impaired | 93,388,870 | 41,245,345 | (52,143,525) | (55.8) |
| School for the Deaf | 53,083,657 | 52,695,245 | (388,412) | (0.7) |
| SUBTOTAL, PUBLIC EDUCATION | \$50,265,864,400 | \$47,433,153,978 | (\$2,832,710,422) | (5.6) |
| PUBLIC HIGHER EDUCATION | | | | |
| TWO-YEAR INSTITUTIONS | | | | |
| Public Community/Junior Colleges | \$1,745,695,460 | \$1,749,380,723 | \$3,685,263 | 0.2 |
| Lamar Institute of Technology | 27,568,721 | 28,708,990 | 1,140,269 | 4.1 |
| Lamar University – Orange | 18,484,576 | 19,164,769 | 680,193 | 3.7 |
| Lamar University – Port Arthur | 23,780,405 | 22,119,709 | (1,660,696) | (7.0) |
| SUBTOTAL, LAMAR STATE COLLEGES | \$69,833,702 | \$69,993,468 | \$159,766 | 0.2 |
| Texas State Technical College System Administration | \$16,493,826 | \$5,351,461 | (\$11,142,365) | (67.6) |
| Texas State Technical College – Harlingen | 50,980,986 | 49,093,510 | (1,887,476) | (3.7) |
| Texas State Technical College – West Texas | 27,965,791 | 24,970,291 | (2,995,500) | (10.7) |
| Texas State Technical College – Marshall | 11,434,368 | 10,995,468 | (438,900) | (3.8) |
| Texas State Technical College – Waco | 68,111,562 | 73,596,786 | 5,485,224 | 8.1 |
| SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES | \$174,986,533 | \$164,007,516 | (\$10,979,017) | (6.3) |
| SUBTOTAL, TWO-YEAR INSTITUTIONS | \$1,990,515,695 | \$1,983,381,707 | (\$7,133,988) | (0.4) |
| GENERAL ACADEMIC INSTITUTIONS | | | | |
| The University of Texas System Administration | \$19,099,360 | \$18,147,200 | (\$952,160) | (5.0) |
| The University of Texas at Arlington | 275,081,581 | 288,654,156 | 13,572,575 | 4.9 |
| The University of Texas at Austin | 749,518,863 | 702,739,665 | (46,779,198) | (6.2) |
| The University of Texas at Dallas | 230,535,884 | 223,513,862 | (7,022,022) | (3.0) |
| The University of Texas at El Paso | 202,195,230 | 195,511,098 | (6,684,132) | (3.3) |
| The University of Texas – Pan American | 169,039,177 | 162,830,092 | (6,209,085) | (3.7) |
| The University of Texas at Brownsville | 61,910,963 | 57,628,718 | (4,282,245) | (6.9) |
| The University of Texas of the Permian Basin | 58,194,080 | 59,145,561 | 951,481 | 1.6 |
| The University of Texas at San Antonio | 273,182,023 | 260,495,772 | (12,686,251) | (4.6) |
| The University of Texas at Tyler | 71,137,295 | 66,147,545 | (4,989,750) | (7.0) |
| Texas A&M University System Administrative and General Offices | 20,701,573 | 4,501,868 | (16,199,705) | (78.3) |
| Texas A&M University | 700,537,434 | 651,599,219 | (48,938,215) | (7.0) |
| Texas A&M University at Galveston | 43,799,673 | 37,773,622 | (6,026,051) | (13.8) |
| Prairie View A&M University | 134,247,361 | 122,639,379 | (11,607,982) | (8.6) |
| Tarleton State University | 87,292,499 | 83,950,084 | (3,342,415) | (3.8) |
| Texas A&M University – Central Texas | 29,460,313 | 30,599,703 | 1,139,390 | 3.9 |

FIGURE E1 (CONTINUED)
ALL FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11¹ | APPROPRIATED 2012–13² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|--|---|---|----------------------------|------------------------------|
| Texas A&M University – Corpus Christi | \$121,534,331 | \$110,283,074 | (\$11,251,257) | (9.3) |
| Texas A&M University – Kingsville | 82,466,491 | 75,368,253 | (7,098,238) | (8.6) |
| Texas A&M University – San Antonio | 27,154,411 | 37,125,363 | 9,970,952 | 36.7 |
| Texas A&M International University | 83,231,209 | 73,816,324 | (9,414,885) | (11.3) |
| West Texas A&M University | 79,410,486 | 72,847,023 | (6,563,463) | (8.3) |
| Texas A&M University – Commerce | 99,558,312 | 89,920,628 | (9,637,684) | (9.7) |
| Texas A&M University – Texarkana | 41,409,091 | 34,754,968 | (6,654,123) | (16.1) |
| University of Houston System Administration | 12,665,157 | 51,668,462 | 39,003,305 | 308.0 |
| University of Houston | 450,003,385 | 394,815,403 | (55,187,982) | (12.3) |
| University of Houston – Clear Lake | 83,394,543 | 71,849,633 | (11,544,910) | (13.8) |
| University of Houston – Downtown | 88,104,670 | 67,926,822 | (20,177,848) | (22.9) |
| University of Houston – Victoria | 42,631,672 | 39,786,959 | (2,844,713) | (6.7) |
| Midwestern State University | 54,249,721 | 48,828,454 | (5,421,267) | (10.0) |
| University of North Texas System Administration | 9,789,067 | 6,732,226 | (3,056,841) | (31.2) |
| University of North Texas | 302,350,602 | 296,355,351 | (5,995,251) | (2.0) |
| University of North Texas at Dallas | 35,156,605 | 30,478,388 | (4,678,217) | (13.3) |
| Stephen F. Austin State University | 121,843,336 | 108,728,674 | (13,114,662) | (10.8) |
| Texas Southern University | 174,127,907 | 150,903,873 | (23,224,034) | (13.3) |
| Texas Tech University System Administration | 3,750,000 | 2,850,000 | (900,000) | (24.0) |
| Texas Tech University | 368,026,094 | 357,056,343 | (10,969,751) | (3.0) |
| Angelo State University | 68,450,875 | 64,053,866 | (4,397,009) | (6.4) |
| Texas Woman's University | 146,639,127 | 135,140,923 | (11,498,204) | (7.8) |
| Texas State University System | 2,124,240 | 4,450,000 | 2,325,760 | 109.5 |
| Lamar University | 121,909,453 | 111,926,905 | (9,982,548) | (8.2) |
| Sam Houston State University | 162,684,291 | 145,338,873 | (17,345,418) | (10.7) |
| Texas State University – San Marcos | 261,940,220 | 254,492,644 | (7,447,576) | (2.8) |
| Sul Ross State University | 34,008,142 | 37,804,020 | 3,795,878 | 11.2 |
| Sul Ross State University Rio Grande College | 13,112,804 | 12,127,383 | (985,421) | (7.5) |
| SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS | \$6,217,659,551 | \$5,853,308,379 | (\$364,351,172) | (5.9) |
| HEALTH-RELATED INSTITUTIONS | | | | - |
| The University of Texas Southwestern Medical Center | \$339,025,963 | \$278,284,511 | (\$60,741,452) | (17.9) |
| The University of Texas Medical Branch at Galveston | 1,252,556,677 | 1,214,546,039 | (38,010,638) | (3.0) |
| The University of Texas Health Science Center at Houston | 356,632,008 | 347,880,533 | (8,751,475) | (2.5) |
| The University of Texas Health Science Center at San Antonio | 357,022,348 | 319,153,560 | (37,868,788) | (10.6) |
| The University of Texas M.D. Anderson Cancer Center | 4,614,023,153 | 5,043,439,860 | 429,416,707 | 9.3 |

FIGURE E1 (CONTINUED)
ALL FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11 ¹ | APPROPRIATED 2012–13 ² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|--|--------------------------------------|--------------------------|----------------------|
| The University of Texas Health Science Center at Tyler | \$170,568,794 | \$176,002,869 | \$5,434,075 | 3.2 |
| Texas A&M University System Health Science Center | 252,705,800 | 241,434,175 | (11,271,625) | (4.5) |
| University of North Texas Health Science Center at Fort Worth | 141,974,215 | 140,131,956 | (1,842,259) | (1.3) |
| Texas Tech University Health Sciences Center | 361,096,839 | 333,314,809 | (27,782,030) | (7.7) |
| SUBTOTAL, HEALTH-RELATED INSTITUTIONS | \$7,845,605,797 | \$8,094,188,312 | \$248,582,515 | 3.2 |
| TEXAS A&M UNIVERSITY SERVICES | | | | |
| Texas AgriLife Research | \$137,560,226 | \$130,327,148 | (\$7,233,078) | (5.3) |
| Texas AgriLife Extension Service | 137,837,443 | 128,253,897 | (9,583,546) | (7.0) |
| Texas Engineering Experiment Station | 249,008,314 | 268,154,320 | 19,146,006 | 7.7 |
| Texas Transportation Institute | 96,056,916 | 99,288,013 | 3,231,097 | 3.4 |
| Texas Engineering Extension Service | 164,895,453 | 161,748,713 | (3,146,740) | (1.9) |
| Texas Forest Service | 108,765,979 | 196,355,520 | 87,589,541 | 80.5 |
| Texas Veterinary Medical Diagnostic Laboratory | 32,693,561 | 29,601,103 | (3,092,458) | (9.5) |
| SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES | \$926,817,892 | \$1,013,728,714 | \$86,910,822 | 9.4 |
| Higher Education Fund | \$525,000,000 | \$525,000,000 | \$0 | N/A |
| Available University Fund | 1,059,019,952 | 1,061,449,668 | 2,429,716 | 0.2 |
| National Research University Fund Earnings | 0 | 12,400,000 | 12,400,000 | N/A |
| Higher Education Coordinating Board | 1,755,022,519 | 1,301,687,813 | (453,334,706) | (25.8) |
| SUBTOTAL, OTHER HIGHER EDUCATION | \$3,339,042,471 | \$2,900,537,481 | (\$438,504,990) | (13.1) |
| SUBTOTAL, HIGHER EDUCATION | \$20,319,641,406 | \$19,845,144,593 | (\$474,496,813) | (2.3) |
| EMPLOYEE BENEFITS | | | | |
| Teacher Retirement System | \$4,038,146,148 | \$3,797,393,090 | (\$240,753,058) | (6.0) |
| Optional Retirement Program | 294,169,521 | 247,905,975 | (46,263,546) | (15.7) |
| Higher Education Employees Group Insurance Contributions | 1,068,235,618 | 968,961,950 | (99,273,668) | (9.3) |
| Retirement and Group Insurance | 61,823,656 | 63,645,693 | 1,822,037 | 2.9 |
| Social Security and Benefits Replacement Pay | 560,373,470 | 577,908,771 | 17,535,301 | 3.1 |
| SUBTOTAL, EMPLOYEE BENEFITS | \$6,022,748,413 | \$5,655,815,479 | (\$366,932,934) | (6.1) |
| DEBT SERVICE | | | | |
| Bond Debt Service Payments | \$7,579,835 | \$14,567,314 | \$6,987,479 | 92.2 |
| Lease Payments | 5,904,034 | 5,295,330 | (608,704) | (10.3) |
| SUBTOTAL, DEBT SERVICE | \$13,483,869 | \$19,862,644 | \$6,378,775 | 47.3 |
| Less Interagency Contracts | \$205,729,521 | \$82,628,334 | (\$123,101,187) | (59.8) |
| TOTAL, ARTICLE III – AGENCIES OF EDUCATION | \$76,416,008,567 | \$72,871,348,360 | (\$3,544,660,207) | (4.6) |

¹Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.

²Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.

NOTE: Article totals exclude interagency contracts.

SOURCE: Legislative Budget Board.

**FIGURE E2
GENERAL REVENUE FUNDS — AGENCIES OF EDUCATION**

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11 ¹ | APPROPRIATED 2012–13 ² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|--|--|--------------------------------------|----------------------|----------------------|
| PUBLIC EDUCATION | | | | |
| Texas Education Agency | \$30,322,901,124 | \$30,476,707,526 | \$153,806,402 | 0.5 |
| School for the Blind and Visually Impaired | 28,830,574 | 29,152,947 | 322,373 | 1.1 |
| School for the Deaf | 36,111,132 | 36,216,478 | 105,346 | 0.3 |
| SUBTOTAL, PUBLIC EDUCATION | \$30,387,842,830 | \$30,542,076,951 | \$154,234,121 | 0.5 |
| PUBLIC HIGHER EDUCATION | | | | |
| TWO-YEAR INSTITUTIONS | | | | |
| Public Community/Junior Colleges | \$1,728,790,460 | \$1,749,380,723 | \$20,590,263 | 1.2 |
| Lamar Institute of Technology | 20,141,881 | 21,363,652 | 1,221,771 | 6.1 |
| Lamar University – Orange | 13,379,584 | 13,438,359 | 58,775 | 0.4 |
| Lamar University – Port Arthur | 18,247,526 | 16,676,606 | (1,570,920) | (8.6) |
| SUBTOTAL, LAMAR STATE COLLEGES | \$51,768,991 | \$51,478,617 | (\$290,374) | (0.6) |
| Texas State Technical College System Administration | \$16,122,329 | \$4,603,444 | (\$11,518,885) | (71.4) |
| Texas State Technical College – Harlingen | 35,862,333 | 35,177,742 | (684,591) | (1.9) |
| Texas State Technical College – West Texas | 22,972,902 | 20,195,085 | (2,777,817) | (12.1) |
| Texas State Technical College – Marshall | 8,795,246 | 8,519,429 | (275,817) | (3.1) |
| Texas State Technical College – Waco | 48,458,059 | 55,190,076 | 6,732,017 | 13.9 |
| SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES | \$132,210,869 | \$123,685,776 | (\$8,525,093) | (6.4) |
| SUBTOTAL, TWO-YEAR INSTITUTIONS | \$1,912,770,320 | \$1,924,545,116 | \$11,774,796 | 0.6 |
| GENERAL ACADEMIC INSTITUTIONS | | | | |
| The University of Texas System Administration | \$16,827,250 | \$15,931,200 | (\$896,050) | (5.3) |
| The University of Texas at Arlington | 171,697,428 | 183,867,794 | 12,170,366 | 7.1 |
| The University of Texas at Austin | 536,034,384 | 492,544,731 | (43,489,653) | (8.1) |
| The University of Texas at Dallas | 142,108,554 | 148,778,381 | 6,669,827 | 4.7 |
| The University of Texas at El Paso | 142,521,273 | 137,781,712 | (4,739,561) | (3.3) |
| The University of Texas – Pan American | 115,707,790 | 110,889,522 | (4,818,268) | (4.2) |
| The University of Texas at Brownsville | 51,100,517 | 47,424,781 | (3,675,736) | (7.2) |
| The University of Texas of the Permian Basin | 47,639,722 | 48,816,240 | 1,176,518 | 2.5 |
| The University of Texas at San Antonio | 186,961,792 | 178,547,264 | (8,414,528) | (4.5) |
| The University of Texas at Tyler | 56,673,893 | 51,804,728 | (4,869,165) | (8.6) |
| Texas A&M University System Administrative and General Offices | 11,478,504 | 4,473,868 | (7,004,636) | (61.0) |
| Texas A&M University | 487,991,523 | 458,011,060 | (29,980,463) | (6.1) |
| Texas A&M University at Galveston | 36,736,318 | 30,964,674 | (5,771,644) | (15.7) |
| Prairie View A&M University | 102,383,638 | 90,923,868 | (11,459,770) | (11.2) |
| Tarleton State University | 62,999,263 | 59,464,473 | (3,534,790) | (5.6) |
| Texas A&M University – Central Texas | 24,007,601 | 25,352,928 | 1,345,327 | 5.6 |
| Texas A&M University – Corpus Christi | 93,966,271 | 81,624,416 | (12,341,855) | (13.1) |

FIGURE E2 (CONTINUED)
GENERAL REVENUE FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11¹ | APPROPRIATED 2012–13² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|--|---|---|----------------------------|------------------------------|
| Texas A&M University – Kingsville | \$60,610,859 | \$54,030,202 | (\$6,580,657) | (10.9) |
| Texas A&M University – San Antonio | 21,438,200 | 29,287,597 | 7,849,397 | 36.6 |
| Texas A&M International University | 67,735,925 | 58,009,521 | (9,726,404) | (14.4) |
| West Texas A&M University | 57,622,391 | 53,282,160 | (4,340,231) | (7.5) |
| Texas A&M University – Commerce | 67,888,967 | 66,581,226 | (1,307,741) | (1.9) |
| Texas A&M University – Texarkana | 31,084,147 | 30,370,655 | (713,492) | (2.3) |
| University of Houston System Administration | 12,665,157 | 51,668,462 | 39,003,305 | 308.0 |
| University of Houston | 311,616,152 | 257,331,674 | (54,284,478) | (17.4) |
| University of Houston – Clear Lake | 58,807,555 | 46,454,050 | (12,353,505) | (21.0) |
| University of Houston – Downtown | 56,441,987 | 39,973,395 | (16,468,592) | (29.2) |
| University of Houston – Victoria | 32,315,073 | 27,651,821 | (4,663,252) | (14.4) |
| Midwestern State University | 37,434,162 | 33,382,015 | (4,052,147) | (10.8) |
| University of North Texas System Administration | 4,789,067 | 6,732,226 | 1,943,159 | 40.6 |
| University of North Texas | 194,672,599 | 191,274,119 | (3,398,480) | (1.7) |
| University of North Texas at Dallas | 30,330,149 | 28,165,402 | (2,164,747) | (7.1) |
| Stephen F. Austin State University | 84,817,662 | 75,640,135 | (9,177,527) | (10.8) |
| Texas Southern University | 125,878,414 | 104,685,201 | (21,193,213) | (16.8) |
| Texas Tech University System Administration | 3,750,000 | 2,850,000 | (900,000) | (24.0) |
| Texas Tech University | 261,015,662 | 253,976,808 | (7,038,854) | (2.7) |
| Angelo State University | 48,095,474 | 45,861,337 | (2,234,137) | (4.6) |
| Texas Woman's University | 104,666,337 | 92,467,100 | (12,199,237) | (11.7) |
| Texas State University System | 2,124,240 | 4,450,000 | 2,325,760 | 109.5 |
| Lamar University | 77,990,428 | 70,849,905 | (7,140,523) | (9.2) |
| Sam Houston State University | 85,061,409 | 79,609,576 | (5,451,833) | (6.4) |
| Texas State University – San Marcos | 168,720,167 | 164,894,925 | (3,825,242) | (2.3) |
| Sul Ross State University | 28,832,045 | 32,758,471 | 3,926,426 | 13.6 |
| Sul Ross State University Rio Grande College | 10,662,338 | 9,364,932 | (1,297,406) | (12.2) |
| SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS | \$4,333,902,287 | \$4,078,804,555 | (\$255,097,732) | (5.9) |
| HEALTH-RELATED INSTITUTIONS | | | | |
| The University of Texas Southwestern Medical Center | \$286,599,806 | \$249,279,177 | (\$37,320,629) | (13.0) |
| The University of Texas Medical Branch at Galveston | 586,704,245 | 472,189,151 | (114,515,094) | (19.5) |
| The University of Texas Health Science Center at Houston | 278,466,261 | 294,281,302 | 15,815,041 | 5.7 |
| The University of Texas Health Science Center at San Antonio | 285,919,332 | 260,615,042 | (25,304,290) | (8.9) |
| The University of Texas M.D. Anderson Cancer Center | 316,274,242 | 298,435,072 | (17,839,170) | (5.6) |
| The University of Texas Health Science Center at Tyler | 68,656,721 | 71,856,579 | 3,199,858 | 4.7 |

FIGURE E2 (CONTINUED)
GENERAL REVENUE FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11¹ | APPROPRIATED 2012–13² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|---|---|----------------------------|------------------------------|
| Texas A&M University System Health Science Center | \$205,234,148 | \$194,402,799 | (\$10,831,349) | (5.3) |
| University of North Texas Health Science Center at Fort Worth | 120,369,543 | 113,121,832 | (7,247,711) | (6.0) |
| Texas Tech University Health Sciences Center | 308,265,168 | 291,713,120 | (16,552,048) | (5.4) |
| SUBTOTAL, HEALTH-RELATED INSTITUTIONS | \$2,456,489,466 | \$2,245,894,074 | (\$210,595,392) | (8.6) |
| TEXAS A&M UNIVERSITY SERVICES | | | | |
| Texas AgriLife Research | \$108,442,641 | \$101,233,060 | (\$7,209,581) | (6.6) |
| Texas AgriLife Extension Service | 93,421,095 | 84,437,039 | (8,984,056) | (9.6) |
| Texas Engineering Experiment Station | 27,420,670 | 27,791,758 | 371,088 | 1.4 |
| Texas Transportation Institute | 1,786,250 | 1,282,500 | (503,750) | (28.2) |
| Texas Engineering Extension Service | 13,423,471 | 12,388,837 | (1,034,634) | (7.7) |
| Texas Forest Service | 38,994,278 | 158,979,948 | 119,985,670 | 307.7 |
| Texas Veterinary Medical Diagnostic Laboratory | 12,326,913 | 11,519,113 | (807,800) | (6.6) |
| SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES | \$295,815,318 | \$397,632,255 | \$101,816,937 | 34.4 |
| Higher Education Fund | \$525,000,000 | \$525,000,000 | \$0 | N/A |
| Available University Fund | 0 | 0 | 0 | N/A |
| National Research University Fund Earnings | 0 | 0 | 0 | N/A |
| Higher Education Coordinating Board | 1,324,025,818 | 1,053,522,035 | (270,503,783) | (20.4) |
| SUBTOTAL, OTHER HIGHER EDUCATION | \$1,849,025,818 | \$1,578,522,035 | (\$270,503,783) | (14.6) |
| SUBTOTAL, HIGHER EDUCATION | \$10,848,003,209 | \$10,225,398,035 | (\$622,605,174) | (5.7) |
| EMPLOYEE BENEFITS | | | | |
| Teacher Retirement System | \$3,721,648,969 | \$3,431,139,479 | (\$290,509,490) | (7.8) |
| Optional Retirement Program | 249,841,016 | 205,341,297 | (44,499,719) | (17.8) |
| Higher Education Employees Group Insurance Contributions | 1,066,913,010 | 967,556,924 | (99,356,086) | (9.3) |
| Retirement and Group Insurance | 51,589,368 | 54,070,178 | 2,480,810 | 4.8 |
| Social Security and Benefits Replacement Pay | 456,936,472 | 471,706,602 | 14,770,130 | 3.2 |
| SUBTOTAL, EMPLOYEE BENEFITS | \$5,546,928,835 | \$5,129,814,480 | (\$417,114,355) | (7.5) |
| DEBT SERVICE | | | | |
| Bond Debt Service Payments | \$7,325,020 | \$14,248,830 | \$6,923,810 | 94.5 |
| Lease Payments | 5,904,034 | 5,295,330 | (608,704) | (10.3) |
| SUBTOTAL, DEBT SERVICE | \$13,229,054 | \$19,544,160 | \$6,315,106 | 47.7 |
| TOTAL, ARTICLE III – AGENCIES OF EDUCATION | \$46,796,003,928 | \$45,916,833,626 | (\$879,170,302) | (1.9) |

¹Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.

²Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.

SOURCE: Legislative Budget Board.

FIGURE E3
GENERAL REVENUE—DEDICATED FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11 ¹ | APPROPRIATED 2012–13 ² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|--|--------------------------------------|--------------------|----------------------|
| PUBLIC EDUCATION | | | | |
| Texas Education Agency | \$418,569 | \$649,000 | \$230,431 | 55.1 |
| School for the Blind and Visually Impaired | 0 | 0 | 0 | N/A |
| School for the Deaf | 0 | 0 | 0 | N/A |
| SUBTOTAL, PUBLIC EDUCATION | \$418,569 | \$649,000 | \$230,431 | 55.1 |
| PUBLIC HIGHER EDUCATION | | | | |
| TWO-YEAR INSTITUTIONS | | | | |
| Public Community/Junior Colleges | \$0 | \$0 | \$0 | N/A |
| Lamar Institute of Technology | 7,026,644 | 7,345,338 | 318,694 | 4.5 |
| Lamar University – Orange | 4,875,929 | 5,726,410 | 850,481 | 17.4 |
| Lamar University – Port Arthur | 4,747,409 | 5,443,103 | 695,694 | 14.7 |
| SUBTOTAL, LAMAR STATE COLLEGES | \$16,649,982 | \$18,514,851 | \$1,864,869 | 11.2 |
| Texas State Technical College System Administration | \$371,497 | \$748,017 | \$376,520 | 101.4 |
| Texas State Technical College – Harlingen | 14,268,123 | 13,915,768 | (352,355) | (2.5) |
| Texas State Technical College – West Texas | 4,573,311 | 4,775,206 | 201,895 | 4.4 |
| Texas State Technical College – Marshall | 2,486,999 | 2,476,039 | (10,960) | (0.4) |
| Texas State Technical College – Waco | 18,496,312 | 18,406,710 | (89,602) | (0.5) |
| SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES | \$40,196,242 | \$40,321,740 | \$125,498 | 0.3 |
| SUBTOTAL, TWO-YEAR INSTITUTIONS | \$56,846,224 | \$58,836,591 | \$1,990,367 | 3.5 |
| GENERAL ACADEMIC INSTITUTIONS | | | | |
| The University of Texas System Administration | \$0 | \$0 | \$0 | N/A |
| The University of Texas at Arlington | 99,544,565 | 104,786,362 | 5,241,797 | 5.3 |
| The University of Texas at Austin | 203,175,074 | 210,194,934 | 7,019,860 | 3.5 |
| The University of Texas at Dallas | 73,902,392 | 74,735,481 | 833,089 | 1.1 |
| The University of Texas at El Paso | 54,257,081 | 54,959,386 | 702,305 | 1.3 |
| The University of Texas – Pan American | 50,448,111 | 51,483,144 | 1,035,033 | 2.1 |
| The University of Texas at Brownsville | 10,270,338 | 10,203,937 | (66,401) | (0.6) |
| The University of Texas of the Permian Basin | 10,153,771 | 10,329,321 | 175,550 | 1.7 |
| The University of Texas at San Antonio | 78,194,498 | 81,948,508 | 3,754,010 | 4.8 |
| The University of Texas at Tyler | 13,686,400 | 14,342,817 | 656,417 | 4.8 |
| Texas A&M University System Administrative and General Offices | 9,223,069 | 28,000 | (9,195,069) | (99.7) |
| Texas A&M University | 194,931,245 | 184,789,626 | (10,141,619) | (5.2) |
| Texas A&M University at Galveston | 6,714,220 | 6,808,948 | 94,728 | 1.4 |
| Prairie View A&M University | 31,863,723 | 31,715,511 | (148,212) | (0.5) |
| Tarleton State University | 23,018,364 | 24,485,611 | 1,467,247 | 6.4 |
| Texas A&M University – Central Texas | 5,452,712 | 5,246,775 | (205,937) | (3.8) |
| Texas A&M University – Corpus Christi | 26,308,558 | 28,658,658 | 2,350,100 | 8.9 |

FIGURE E3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11¹ | APPROPRIATED 2012–13² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|---|---|----------------------------|------------------------------|
| Texas A&M University – Kingsville | \$20,743,629 | \$21,338,051 | \$594,422 | 2.9 |
| Texas A&M University – San Antonio | 5,716,211 | 7,837,766 | 2,121,555 | 37.1 |
| Texas A&M International University | 14,449,349 | 15,531,029 | 1,081,680 | 7.5 |
| West Texas A&M University | 20,857,129 | 19,564,863 | (1,292,266) | (6.2) |
| Texas A&M University – Commerce | 29,344,128 | 23,339,402 | (6,004,726) | (20.5) |
| Texas A&M University – Texarkana | 4,114,223 | 4,384,313 | 270,090 | 6.6 |
| University of Houston System Administration | 0 | 0 | 0 | N/A |
| University of Houston | 129,680,228 | 137,483,729 | 7,803,501 | 6.0 |
| University of Houston – Clear Lake | 23,417,549 | 25,395,583 | 1,978,034 | 8.4 |
| University of Houston – Downtown | 30,264,387 | 27,953,427 | (2,310,960) | (7.6) |
| University of Houston – Victoria | 9,883,366 | 12,135,138 | 2,251,772 | 22.8 |
| Midwestern State University | 15,912,994 | 15,446,439 | (466,555) | (2.9) |
| University of North Texas System Administration | 0 | 0 | 0 | N/A |
| University of North Texas | 100,805,298 | 105,081,232 | 4,275,934 | 4.2 |
| University of North Texas at Dallas | 4,826,456 | 2,312,986 | (2,513,470) | (52.1) |
| Stephen F. Austin State University | 35,525,799 | 33,088,539 | (2,437,260) | (6.9) |
| Texas Southern University | 47,027,769 | 46,218,672 | (809,097) | (1.7) |
| Texas Tech University System Administration | 0 | 0 | 0 | N/A |
| Texas Tech University | 98,116,061 | 103,079,535 | 4,963,474 | 5.1 |
| Angelo State University | 17,654,127 | 18,192,529 | 538,402 | 3.0 |
| Texas Woman’s University | 40,098,242 | 42,673,823 | 2,575,581 | 6.4 |
| Texas State University System | 0 | 0 | 0 | N/A |
| Lamar University | 37,445,892 | 41,077,000 | 3,631,108 | 9.7 |
| Sam Houston State University | 71,500,172 | 65,729,297 | (5,770,875) | (8.1) |
| Texas State University – San Marcos | 88,567,369 | 89,597,719 | 1,030,350 | 1.2 |
| Sul Ross State University | 4,941,096 | 5,045,549 | 104,453 | 2.1 |
| Sul Ross State University Rio Grande College | 2,342,952 | 2,762,451 | 419,499 | 17.9 |
| SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS | \$1,744,378,547 | \$1,759,986,091 | \$15,607,544 | 0.9 |
| HEALTH-RELATED INSTITUTIONS | | | | |
| The University of Texas Southwestern Medical Center | \$22,514,152 | \$18,054,614 | (\$4,459,538) | (19.8) |
| The University of Texas Medical Branch at Galveston | 23,120,930 | 24,797,153 | 1,676,223 | 7.2 |
| The University of Texas Health Science Center at Houston | 35,777,999 | 35,483,172 | (294,827) | (0.8) |
| The University of Texas Health Science Center at San Antonio | 16,488,403 | 17,234,857 | 746,454 | 4.5 |
| The University of Texas M.D. Anderson Cancer Center | 48,597,071 | 55,476,185 | 6,879,114 | 14.2 |

FIGURE E3 (CONTINUED)
GENERAL REVENUE—DEDICATED FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11 ¹ | APPROPRIATED 2012–13 ² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|--|--------------------------------------|-----------------------|----------------------|
| The University of Texas Health Science Center at Tyler | \$512,055 | \$569,200 | \$57,145 | 11.2 |
| Texas A&M University System Health Science Center | 13,306,322 | 24,908,409 | 11,602,087 | 87.2 |
| University of North Texas Health Science Center at Fort Worth | 12,596,783 | 16,295,862 | 3,699,079 | 29.4 |
| Texas Tech University Health Sciences Center | 23,553,492 | 27,695,220 | 4,141,728 | 17.6 |
| SUBTOTAL, HEALTH-RELATED INSTITUTIONS | \$196,467,207 | \$220,514,672 | \$24,047,465 | 12.2 |
| TEXAS A&M UNIVERSITY SERVICES | | | | |
| Texas AgriLife Research | \$950,000 | \$950,000 | \$0 | N/A |
| Texas AgriLife Extension Service | 46,992 | 18,000 | (28,992) | (61.7) |
| Texas Engineering Experiment Station | 1,785,036 | 904,418 | (880,618) | (49.3) |
| Texas Transportation Institute | 0 | 0 | 0 | N/A |
| Texas Engineering Extension Service | 0 | 0 | 0 | N/A |
| Texas Forest Service | 61,388,596 | 28,912,000 | (32,476,596) | (52.9) |
| Texas Veterinary Medical Diagnostic Laboratory | 0 | 0 | 0 | N/A |
| SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES | \$64,170,624 | \$30,784,418 | (\$33,386,206) | (52.0) |
| Higher Education Fund | \$0 | \$0 | \$0 | N/A |
| Available University Fund | 0 | 0 | 0 | N/A |
| National Research University Fund Earnings | 0 | 0 | 0 | N/A |
| Higher Education Coordinating Board | 111,572,621 | 87,256,791 | (24,315,830) | (21.8) |
| SUBTOTAL, OTHER HIGHER EDUCATION | \$111,572,621 | \$87,256,791 | (\$24,315,830) | (21.8) |
| SUBTOTAL, HIGHER EDUCATION | \$2,173,435,223 | \$2,157,378,563 | (\$16,056,660) | (0.7) |
| EMPLOYEE BENEFITS | | | | |
| Teacher Retirement System | \$188,794,770 | \$209,600,575 | \$20,805,805 | 11.0 |
| Optional Retirement Program | 44,328,505 | 42,564,678 | (1,763,827) | (4.0) |
| Higher Education Employees Group Insurance Contributions | 0 | 0 | 0 | N/A |
| Retirement and Group Insurance | 0 | 0 | 0 | N/A |
| Social Security and Benefits Replacement Pay | 82,274,010 | 85,153,600 | 2,879,590 | 3.5 |
| SUBTOTAL, EMPLOYEE BENEFITS | \$315,397,285 | \$337,318,853 | \$21,921,568 | 7.0 |
| DEBT SERVICE | | | | |
| Bond Debt Service Payments | \$0 | \$0 | \$0 | N/A |
| Lease Payments | 0 | 0 | 0 | N/A |
| SUBTOTAL, DEBT SERVICE | \$0 | \$0 | \$0 | N/A |
| TOTAL, ARTICLE III – AGENCIES OF EDUCATION | \$2,489,251,077 | \$2,495,346,416 | \$6,095,339 | 0.2 |

¹Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.

²Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.

SOURCE: Legislative Budget Board.

**FIGURE E4
FEDERAL FUNDS — AGENCIES OF EDUCATION**

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11¹ | APPROPRIATED 2012–13² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|--|---|---|----------------------------|------------------------------|
| PUBLIC EDUCATION | | | | |
| Texas Education Agency | \$13,298,491,946 | \$10,520,619,770 | (\$2,777,872,176) | (20.9) |
| School for the Blind and Visually Impaired | 5,430,126 | 5,855,880 | 425,754 | 7.8 |
| School for the Deaf | 4,233,990 | 2,921,862 | (1,312,128) | (31.0) |
| SUBTOTAL, PUBLIC EDUCATION | \$13,308,156,062 | \$10,529,397,512 | (\$2,778,758,550) | (20.9) |
| PUBLIC HIGHER EDUCATION | | | | |
| TWO-YEAR INSTITUTIONS | | | | |
| Public Community/Junior Colleges | \$16,905,000 | \$0 | (\$16,905,000) | (100.0) |
| Lamar Institute of Technology | 400,196 | 0 | (400,196) | (100.0) |
| Lamar University – Orange | 229,063 | 0 | (229,063) | (100.0) |
| Lamar University – Port Arthur | 785,470 | 0 | (785,470) | (100.0) |
| SUBTOTAL, LAMAR STATE COLLEGES | \$1,414,729 | \$0 | (\$1,414,729) | (100.0) |
| Texas State Technical College System Administration | \$0 | \$0 | \$0 | N/A |
| Texas State Technical College – Harlingen | 850,530 | 0 | (850,530) | (100.0) |
| Texas State Technical College – West Texas | 419,578 | 0 | (419,578) | (100.0) |
| Texas State Technical College – Marshall | 152,123 | 0 | (152,123) | (100.0) |
| Texas State Technical College – Waco | 1,157,191 | 0 | (1,157,191) | (100.0) |
| SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES | \$2,579,422 | \$0 | (\$2,579,422) | (100.0) |
| SUBTOTAL, TWO-YEAR INSTITUTIONS | \$20,899,151 | \$0 | (\$20,899,151) | (100.0) |
| GENERAL ACADEMIC INSTITUTIONS | | | | |
| The University of Texas System Administration | \$0 | \$0 | \$0 | N/A |
| The University of Texas at Arlington | 3,839,588 | 0 | (3,839,588) | (100.0) |
| The University of Texas at Austin | 10,309,405 | 0 | (10,309,405) | (100.0) |
| The University of Texas at Dallas | 14,524,938 | 0 | (14,524,938) | (100.0) |
| The University of Texas at El Paso | 2,681,876 | 0 | (2,681,876) | (100.0) |
| The University of Texas – Pan American | 2,241,274 | 0 | (2,241,274) | (100.0) |
| The University of Texas at Brownsville | 540,108 | 0 | (540,108) | (100.0) |
| The University of Texas of the Permian Basin | 400,587 | 0 | (400,587) | (100.0) |
| The University of Texas at San Antonio | 8,025,733 | 0 | (8,025,733) | (100.0) |
| The University of Texas at Tyler | 777,002 | 0 | (777,002) | (100.0) |
| Texas A&M University System Administrative and General Offices | 0 | 0 | 0 | N/A |
| Texas A&M University | 10,292,036 | 0 | (10,292,036) | (100.0) |
| Texas A&M University at Galveston | 349,135 | 0 | (349,135) | (100.0) |
| Prairie View A&M University | 0 | 0 | 0 | N/A |
| Tarleton State University | 1,274,872 | 0 | (1,274,872) | (100.0) |
| Texas A&M University – Central Texas | 0 | 0 | 0 | N/A |
| Texas A&M University – Corpus Christi | 1,259,502 | 0 | (1,259,502) | (100.0) |

FIGURE E4 (CONTINUED)
FEDERAL FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11¹ | APPROPRIATED 2012–13² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|--|---|---|----------------------------|------------------------------|
| Texas A&M University – Kingsville | 1,112,003 | 0 | (1,112,003) | (100.0) |
| Texas A&M University – San Antonio | \$0 | \$0 | \$0 | N/A |
| Texas A&M International University | 658,885 | 0 | (658,885) | (100.0) |
| West Texas A&M University | 930,966 | 0 | (930,966) | (100.0) |
| Texas A&M University – Commerce | 2,325,217 | 0 | (2,325,217) | (100.0) |
| Texas A&M University – Texarkana | 6,210,721 | 0 | (6,210,721) | (100.0) |
| University of Houston System Administration | 0 | 0 | 0 | N/A |
| University of Houston | 8,707,005 | 0 | (8,707,005) | (100.0) |
| University of Houston – Clear Lake | 1,169,439 | 0 | (1,169,439) | (100.0) |
| University of Houston – Downtown | 1,398,296 | 0 | (1,398,296) | (100.0) |
| University of Houston – Victoria | 433,233 | 0 | (433,233) | (100.0) |
| Midwestern State University | 902,565 | 0 | (902,565) | (100.0) |
| University of North Texas System Administration | 5,000,000 | 0 | (5,000,000) | (100.0) |
| University of North Texas | 6,872,705 | 0 | (6,872,705) | (100.0) |
| University of North Texas at Dallas | 0 | 0 | 0 | N/A |
| Stephen F. Austin State University | 1,499,875 | 0 | (1,499,875) | (100.0) |
| Texas Southern University | 1,221,724 | 0 | (1,221,724) | (100.0) |
| Texas Tech University System Administration | 0 | 0 | 0 | N/A |
| Texas Tech University | 8,894,371 | 0 | (8,894,371) | (100.0) |
| Angelo State University | 2,701,274 | 0 | (2,701,274) | (100.0) |
| Texas Woman's University | 1,874,548 | 0 | (1,874,548) | (100.0) |
| Texas State University System | 0 | 0 | 0 | N/A |
| Lamar University | 6,473,133 | 0 | (6,473,133) | (100.0) |
| Sam Houston State University | 6,122,710 | 0 | (6,122,710) | (100.0) |
| Texas State University – San Marcos | 4,652,684 | 0 | (4,652,684) | (100.0) |
| Sul Ross State University | 235,001 | 0 | (235,001) | (100.0) |
| Sul Ross State University Rio Grande College | 107,514 | 0 | (107,514) | (100.0) |
| SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS | \$126,019,925 | \$0 | (\$126,019,925) | (100.0) |
| HEALTH-RELATED INSTITUTIONS | | | | |
| The University of Texas Southwestern Medical Center | \$16,614,303 | \$0 | (\$16,614,303) | (100.0) |
| The University of Texas Medical Branch at Galveston | 6,745,161 | 0 | (6,745,161) | (100.0) |
| The University of Texas Health Science Center at Houston | 24,173,646 | 0 | (24,173,646) | (100.0) |
| The University of Texas Health Science Center at San Antonio | 19,224,332 | 0 | (19,224,332) | (100.0) |
| The University of Texas M.D. Anderson Cancer Center | 634,206 | 0 | (634,206) | (100.0) |
| The University of Texas Health Science Center at Tyler | 80,210 | 0 | (80,210) | (100.0) |

FIGURE E4 (CONTINUED)
FEDERAL FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11 ¹ | APPROPRIATED 2012–13 ² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|--|--------------------------------------|--------------------------|----------------------|
| Texas A&M University System Health Science Center | \$15,014,608 | \$0 | (\$15,014,608) | (100.0) |
| University of North Texas Health Science Center at Fort Worth | 3,438,054 | 0 | (3,438,054) | (100.0) |
| Texas Tech University Health Sciences Center | 11,075,479 | 0 | (11,075,479) | (100.0) |
| SUBTOTAL, HEALTH-RELATED INSTITUTIONS | \$96,999,999 | \$0 | (\$96,999,999) | (100.0) |
| TEXAS A&M UNIVERSITY SERVICES | | | | |
| Texas AgriLife Research | \$15,933,582 | \$15,933,582 | \$0 | N/A |
| Texas AgriLife Extension Service | 25,302,708 | 25,302,708 | 0 | N/A |
| Texas Engineering Experiment Station | 137,281,801 | 153,857,672 | 16,575,871 | 12.1 |
| Texas Transportation Institute | 17,405,197 | 18,757,193 | 1,351,996 | 7.8 |
| Texas Engineering Extension Service | 48,387,893 | 48,387,894 | 1 | 0.0 |
| Texas Forest Service | 7,349,101 | 7,429,568 | 80,467 | 1.1 |
| Texas Veterinary Medical Diagnostic Laboratory | 594,001 | 594,000 | (1) | (0.0) |
| SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES | \$252,254,283 | \$270,262,617 | \$18,008,334 | 7.1 |
| Higher Education Fund | \$0 | \$0 | \$0 | N/A |
| Available University Fund | 0 | 0 | 0 | N/A |
| National Research University Fund Earnings | 0 | 0 | 0 | N/A |
| Higher Education Coordinating Board | 197,332,508 | 123,636,426 | (73,696,082) | (37.3) |
| SUBTOTAL, OTHER HIGHER EDUCATION | \$197,332,508 | \$123,636,426 | (\$73,696,082) | (37.3) |
| SUBTOTAL, HIGHER EDUCATION | \$693,505,866 | \$393,899,043 | (\$299,606,823) | (43.2) |
| EMPLOYEE BENEFITS | | | | |
| Teacher Retirement System | \$0 | \$0 | \$0 | N/A |
| Optional Retirement Program | 0 | 0 | 0 | N/A |
| Higher Education Employees Group Insurance Contributions | 0 | 0 | 0 | N/A |
| Retirement and Group Insurance | 8,832,085 | 8,286,741 | (545,344) | (6.2) |
| Social Security and Benefits Replacement Pay | 3,888,441 | 3,428,099 | (460,342) | (11.8) |
| SUBTOTAL, EMPLOYEE BENEFITS | \$12,720,526 | \$11,714,840 | (\$1,005,686) | (7.9) |
| DEBT SERVICE | | | | |
| Bond Debt Service Payments | \$253,903 | \$318,484 | \$64,581 | 25.4 |
| Lease Payments | 0 | 0 | 0 | N/A |
| SUBTOTAL, DEBT SERVICE | \$253,903 | \$318,484 | \$64,581 | 25.4 |
| TOTAL, ARTICLE III – AGENCIES OF EDUCATION | \$14,014,636,357 | \$10,935,329,879 | (\$3,079,306,478) | (22.0) |

¹Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.

²Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.

SOURCE: Legislative Budget Board.

**FIGURE E5
OTHER FUNDS — AGENCIES OF EDUCATION**

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11 ¹ | APPROPRIATED 2012–13 ² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|--|--------------------------------------|------------------------|----------------------|
| PUBLIC EDUCATION | | | | |
| Texas Education Agency | \$6,497,580,234 | \$6,341,237,092 | (\$156,343,142) | (2.4) |
| School for the Blind and Visually Impaired | 59,128,170 | 6,236,518 | (52,891,652) | (89.5) |
| School for the Deaf | 12,738,535 | 13,556,905 | 818,370 | 6.4 |
| SUBTOTAL, PUBLIC EDUCATION | \$6,569,446,939 | \$6,361,030,515 | (\$208,416,424) | (3.2) |
| PUBLIC HIGHER EDUCATION | | | | |
| TWO-YEAR INSTITUTIONS | | | | |
| Public Community/Junior Colleges | \$0 | \$0 | \$0 | N/A |
| Lamar Institute of Technology | 0 | 0 | 0 | N/A |
| Lamar University – Orange | 0 | 0 | 0 | N/A |
| Lamar University – Port Arthur | 0 | 0 | 0 | N/A |
| SUBTOTAL, LAMAR STATE COLLEGES | \$0 | \$0 | \$0 | N/A |
| Texas State Technical College System Administration | \$0 | \$0 | \$0 | N/A |
| Texas State Technical College – Harlingen | 0 | 0 | 0 | N/A |
| Texas State Technical College – West Texas | 0 | 0 | 0 | N/A |
| Texas State Technical College – Marshall | 0 | 0 | 0 | N/A |
| Texas State Technical College – Waco | 0 | 0 | 0 | N/A |
| SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES | \$0 | \$0 | \$0 | N/A |
| SUBTOTAL, TWO-YEAR INSTITUTIONS | \$0 | \$0 | \$0 | N/A |
| GENERAL ACADEMIC INSTITUTIONS | | | | |
| The University of Texas System Administration | \$2,272,110 | \$2,216,000 | (\$56,110) | (2.5) |
| The University of Texas at Arlington | 0 | 0 | 0 | N/A |
| The University of Texas at Austin | 0 | 0 | 0 | N/A |
| The University of Texas at Dallas | 0 | 0 | 0 | N/A |
| The University of Texas at El Paso | 2,735,000 | 2,770,000 | 35,000 | 1.3 |
| The University of Texas – Pan American | 642,002 | 457,426 | (184,576) | (28.8) |
| The University of Texas at Brownsville | 0 | 0 | 0 | N/A |
| The University of Texas of the Permian Basin | 0 | 0 | 0 | N/A |
| The University of Texas at San Antonio | 0 | 0 | 0 | N/A |
| The University of Texas at Tyler | 0 | 0 | 0 | N/A |
| Texas A&M University System Administrative and General Offices | 0 | 0 | 0 | N/A |
| Texas A&M University | 7,322,630 | 8,798,533 | 1,475,903 | 20.2 |
| Texas A&M University at Galveston | 0 | 0 | 0 | N/A |
| Prairie View A&M University | 0 | 0 | 0 | N/A |
| Tarleton State University | 0 | 0 | 0 | N/A |
| Texas A&M University – Central Texas | 0 | 0 | 0 | N/A |
| Texas A&M University – Corpus Christi | 0 | 0 | 0 | N/A |

FIGURE E5 (CONTINUED)
OTHER FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11¹ | APPROPRIATED 2012–13² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|--|---|---|----------------------------|------------------------------|
| Texas A&M University – Kingsville | \$0 | \$0 | \$0 | N/A |
| Texas A&M University – San Antonio | 0 | 0 | 0 | N/A |
| Texas A&M International University | 387,050 | 275,774 | (111,276) | (28.7) |
| West Texas A&M University | 0 | 0 | 0 | N/A |
| Texas A&M University – Commerce | 0 | 0 | 0 | N/A |
| Texas A&M University – Texarkana | 0 | 0 | 0 | N/A |
| University of Houston System Administration | 0 | 0 | 0 | N/A |
| University of Houston | 0 | 0 | 0 | N/A |
| University of Houston – Clear Lake | 0 | 0 | 0 | N/A |
| University of Houston – Downtown | 0 | 0 | 0 | N/A |
| University of Houston – Victoria | 0 | 0 | 0 | N/A |
| Midwestern State University | 0 | 0 | 0 | N/A |
| University of North Texas System Administration | 0 | 0 | 0 | N/A |
| University of North Texas | 0 | 0 | 0 | N/A |
| University of North Texas at Dallas | 0 | 0 | 0 | N/A |
| Stephen F. Austin State University | 0 | 0 | 0 | N/A |
| Texas Southern University | 0 | 0 | 0 | N/A |
| Texas Tech University System Administration | 0 | 0 | 0 | N/A |
| Texas Tech University | 0 | 0 | 0 | N/A |
| Angelo State University | 0 | 0 | 0 | N/A |
| Texas Woman's University | 0 | 0 | 0 | N/A |
| Texas State University System | 0 | 0 | 0 | N/A |
| Lamar University | 0 | 0 | 0 | N/A |
| Sam Houston State University | 0 | 0 | 0 | N/A |
| Texas State University – San Marcos | 0 | 0 | 0 | N/A |
| Sul Ross State University | 0 | 0 | 0 | N/A |
| Sul Ross State University Rio Grande College | 0 | 0 | 0 | N/A |
| SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS | \$13,358,792 | \$14,517,733 | \$1,158,941 | 8.7 |
| HEALTH-RELATED INSTITUTIONS | | | | |
| The University of Texas Southwestern Medical Center | \$13,297,702 | \$10,950,720 | (\$2,346,982) | (17.6) |
| The University of Texas Medical Branch at Galveston | 635,986,341 | 717,559,735 | 81,573,394 | 12.8 |
| The University of Texas Health Science Center at Houston | 18,214,102 | 18,116,059 | (98,043) | (0.5) |
| The University of Texas Health Science Center at San Antonio | 35,390,281 | 41,303,661 | 5,913,380 | 16.7 |
| The University of Texas M.D. Anderson Cancer Center | 4,248,517,634 | 4,689,528,603 | 441,010,969 | 10.4 |
| The University of Texas Health Science Center at Tyler | 101,319,808 | 103,577,090 | 2,257,282 | 2.2 |

FIGURE E5 (CONTINUED)
OTHER FUNDS — AGENCIES OF EDUCATION

| ARTICLE III – EDUCATION | ESTIMATED/BUDGETED 2010–11 ¹ | APPROPRIATED 2012–13 ² | BIENNIAL CHANGE | PERCENTAGE CHANGE |
|---|--|--------------------------------------|-----------------------|----------------------|
| Texas A&M University System Health Science Center | \$19,150,722 | \$22,122,967 | \$2,972,245 | 15.5 |
| University of North Texas Health Science Center at Fort Worth | 5,569,835 | 10,714,262 | 5,144,427 | 92.4 |
| Texas Tech University Health Sciences Center | 18,202,700 | 13,906,469 | (4,296,231) | (23.6) |
| SUBTOTAL, HEALTH-RELATED INSTITUTIONS | \$5,095,649,125 | \$5,627,779,566 | \$532,130,441 | 10.4 |
| TEXAS A&M UNIVERSITY SERVICES | | | | |
| Texas AgriLife Research | \$12,234,003 | \$12,210,506 | (\$23,497) | (0.2) |
| Texas AgriLife Extension Service | 19,066,648 | 18,496,150 | (570,498) | (3.0) |
| Texas Engineering Experiment Station | 82,520,807 | 85,600,472 | 3,079,665 | 3.7 |
| Texas Transportation Institute | 76,865,469 | 79,248,320 | 2,382,851 | 3.1 |
| Texas Engineering Extension Service | 103,084,089 | 100,971,982 | (2,112,107) | (2.0) |
| Texas Forest Service | 1,034,004 | 1,034,004 | 0 | N/A |
| Texas Veterinary Medical Diagnostic Laboratory | 19,772,647 | 17,487,990 | (2,284,657) | (11.6) |
| SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES | \$314,577,667 | \$315,049,424 | \$471,757 | 0.1 |
| Higher Education Fund | \$0 | \$0 | \$0 | N/A |
| Available University Fund | 1,059,019,952 | 1,061,449,668 | 2,429,716 | 0.2 |
| National Research University Fund Earnings | 0 | 12,400,000 | 12,400,000 | N/A |
| Higher Education Coordinating Board | 122,091,572 | 37,272,561 | (84,819,011) | (69.5) |
| SUBTOTAL, OTHER HIGHER EDUCATION | \$1,181,111,524 | \$1,111,122,229 | (\$69,989,295) | (5.9) |
| SUBTOTAL, HIGHER EDUCATION | \$6,604,697,108 | \$7,068,468,952 | \$463,771,844 | 7.0 |
| EMPLOYEE BENEFITS | | | | |
| Teacher Retirement System | \$127,702,409 | \$156,653,036 | \$28,950,627 | 22.7 |
| Optional Retirement Program | 0 | 0 | 0 | N/A |
| Higher Education Employees Group Insurance Contributions | 1,322,608 | 1,405,026 | 82,418 | 6.2 |
| Retirement and Group Insurance | 1,402,203 | 1,288,774 | (113,429) | (8.1) |
| Social Security and Benefits Replacement Pay | 17,274,547 | 17,620,470 | 345,923 | 2.0 |
| SUBTOTAL, EMPLOYEE BENEFITS | \$147,701,767 | \$176,967,306 | \$29,265,539 | 19.8 |
| DEBT SERVICE | | | | |
| Bond Debt Service Payments | \$912 | \$0 | (\$912) | (100.0) |
| Lease Payments | 0 | 0 | 0 | N/A |
| SUBTOTAL, DEBT SERVICE | \$912 | \$0 | (\$912) | (100.0) |
| Less Interagency Contracts | \$205,729,521 | \$82,628,334 | (\$123,101,187) | (59.8) |
| TOTAL, ARTICLE III – AGENCIES OF EDUCATION | \$13,116,117,205 | \$13,523,838,439 | \$407,721,234 | 3.1 |

¹Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.

²Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.

NOTE: Article totals exclude interagency contracts.

SOURCE: Legislative Budget Board.