

Recapping The 86th Texas Legislature

The University of Texas System
Office of Governmental Relations

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FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

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Economic Outlook

- Texas has a “continued but slowed, expanding economy”
 - Original Biennial Revenue Estimate: \$119.1B in GR for general purpose spending
 - In May, the Comptroller updated the biennial revenue estimate, increasing the estimated 2018-19 balance by \$518M
- FY 2020 estimated transfer to State Highway Fund and Economic Stabilization Fund (ESF) = \$1.67B each
- Prior to appropriations made from the ESF, \$15.6B projected balance in ESF at end of 2020-21biennium



Budget Overview

- All Funds: \$250.6B, increase of \$14.9B (or 6.3%) over 2018-19
- GR: \$118.9B, increase of \$10.3B (or 9.5%) over 2018-19
 - \$11.5B increase for public education funding, including salary increases for teachers, school district property tax relief, and reducing recapture
 - \$1.9B decrease in Medicaid funding due to a more favorable FMAP
- No new ESF appropriations are included in HB 1



Budget Overview – Higher Education

- All Funds: \$21.9B, increase of \$1.1B (or 5.4%) over 2018-19
- GR: \$15.9B, increase of \$1.0B (or 6.9%) over 2018-19
 - Main drivers: increases to formula funding and non-formula support funding
 - \$87M GR direct appropriations to higher education in Art IX (included in totals above)
 - Hold harmless funding incorporated into institution's non-formula support funding



Higher Education – General Revenue

(in millions)

| | 2018-19 GR | 2020-21 GR | Difference | % Change |
|---------------------------------|-------------------|-------------------|------------------|-------------|
| GAIs | \$5,007.7 | \$5,351.1 | \$343.4 | 6.9% |
| HRIs | \$2,855.0 | \$3,021.4 | \$166.4 | 5.8% |
| Two-Year | \$1,987.9 | \$2,129.6 | \$141.7 | 7.1% |
| A&M System Agencies | \$355.1 | \$370.5 | \$15.5 | 4.4% |
| Other | \$4,704.0 | \$4,979.3 | \$275.3 | 5.9% |
| Total – Art III | \$14,909.7 | \$15,851.9 | \$942.3 | 6.3% |
| Art IX Direct Approp. | \$0 | \$87.4 | \$87.4 | n/a |
| Total – Art III & IX | \$14,909.7 | \$15,939.3 | \$1,029.6 | 6.9% |



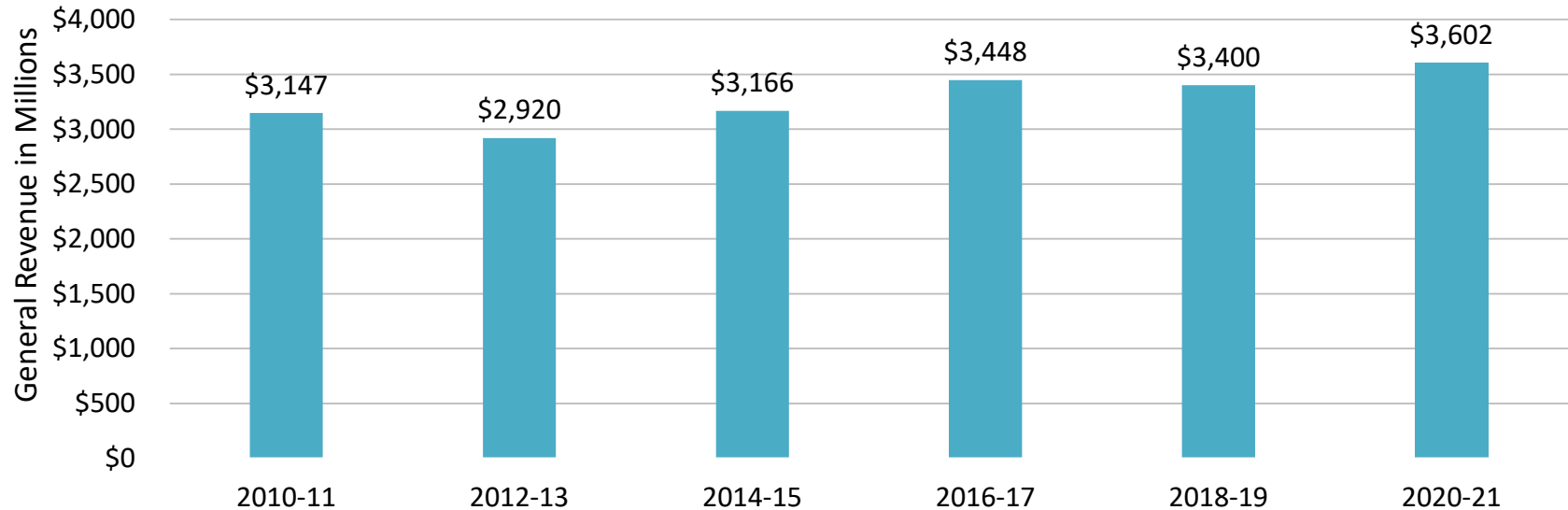
Formula Funding – General Academics

- Total GR formula funding increased by \$201.4M (5.9%) for the General Academics
- Small Institution Supplement base increased from \$1.5M to \$2.6M for each institution under 5,000, with a scaling down from 5,000 to 10,000 students
- While funding totals increased significantly, formula rate increases were much more modest due to continued growth in WSCH

| GAI Formulas | 2018-19 Rate | 2020-21 Rate | % Increase |
|----------------------------------|--------------|--------------|------------|
| Instruction and Operations (I&O) | \$55.82 | \$55.85 | 0.1% |
| Infrastructure | \$5.41 | \$5.47 | 1.1% |

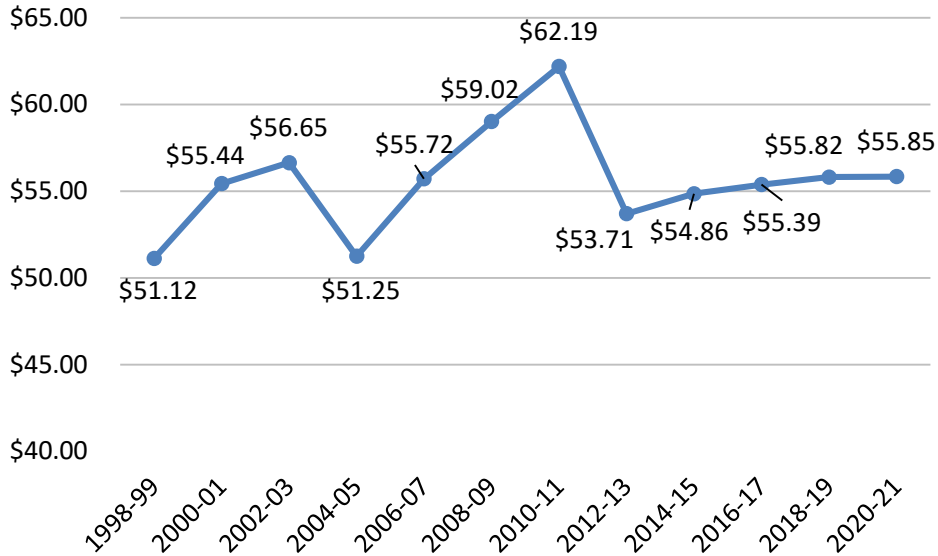


Formula Funding – General Academics

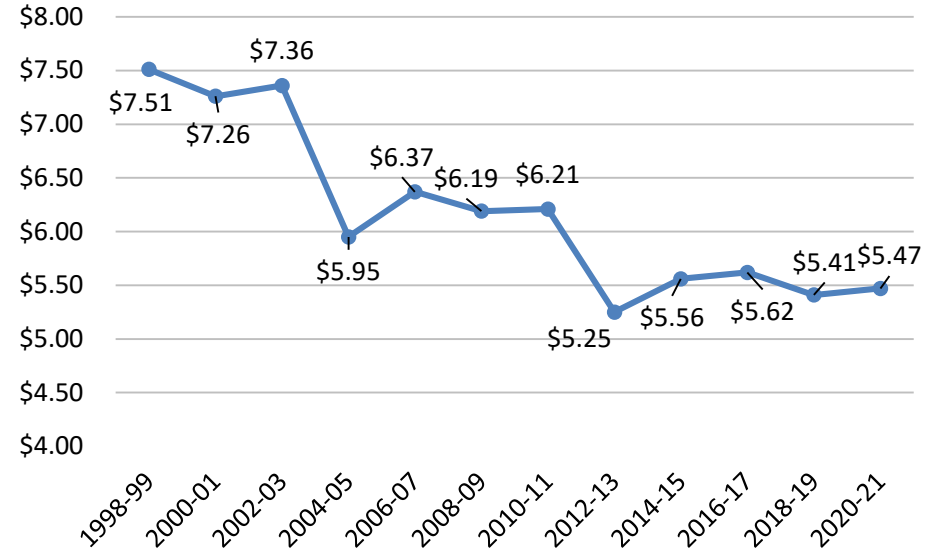


General Academic Formula Rate History

General Academic I&O Rate (per WSCH)



General Academic Infrastructure Rate (per NASF)



General Academic Formula Advisory Committee

- Additional charges were added for the THECB Formula Advisory to consider over the interim prior to the 87th Legislative Session:
 - Review the expenditure study used for the cost matrix, “including determining and reviewing the growth of costs affiliated with higher education and its consequent impact on higher education institutions, and make recommendations for improvements to better reflect the actual expenditures of the institutions”
 - Review the Space Projection Model as it relates to distance education courses, “including the different physical space and technology needs between traditional courses, online courses, and distance education courses, as well as information on associated costs of each course type”



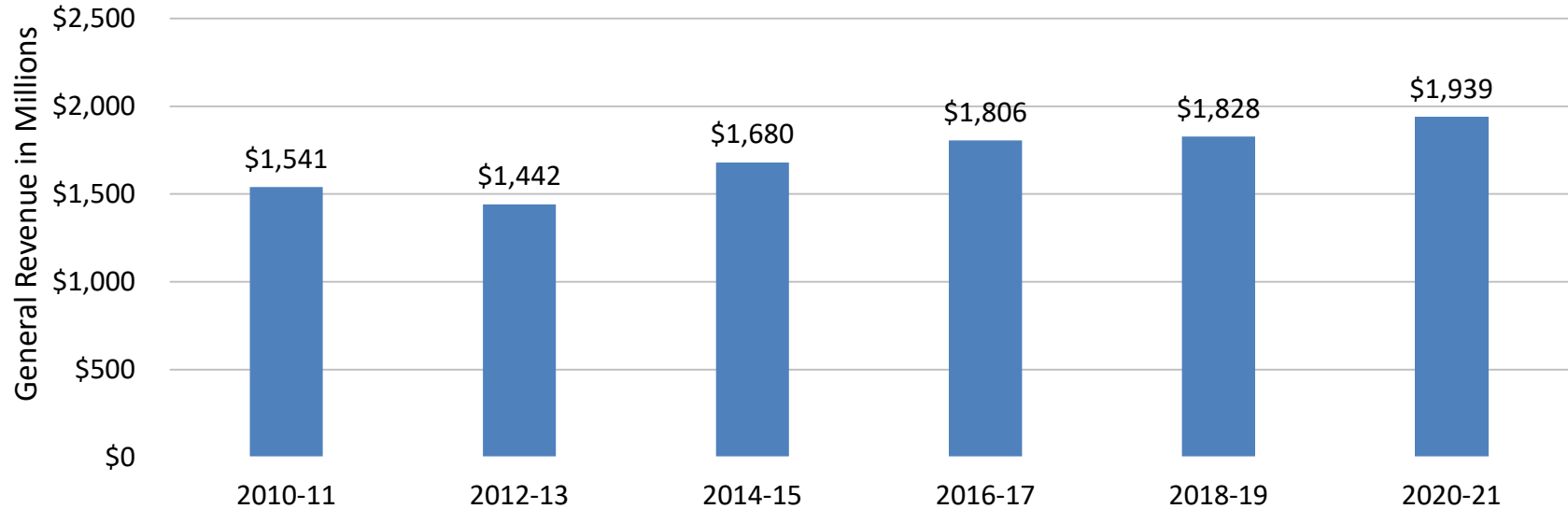
Formula Funding – Health Related

- Total GR formula funding increased by \$111.1M (6.1%) for the Health Related Institutions for the existing formulas
- Four new mission specific formulas created as pilots. GR funding totals \$471.0M, including \$40.1M in new funding and \$430.9M in reallocated hold harmless, hospital support, and non-formula support funding
- New biomedical informatics weight for the I&O formula

| HRI Formulas | 2018-19 Rate | 2020-21 Rate | % Increase |
|----------------------------------|--------------|--------------|------------|
| Instruction and Operations (I&O) | \$9,431 | \$9,622 | 2.0% |
| Infrastructure | \$6.11 | \$6.14 | 0.5% |
| Research Enhancement | 1.16% | 1.18% | 1.7% |
| GME | \$5,824 | \$5,970 | 2.5% |

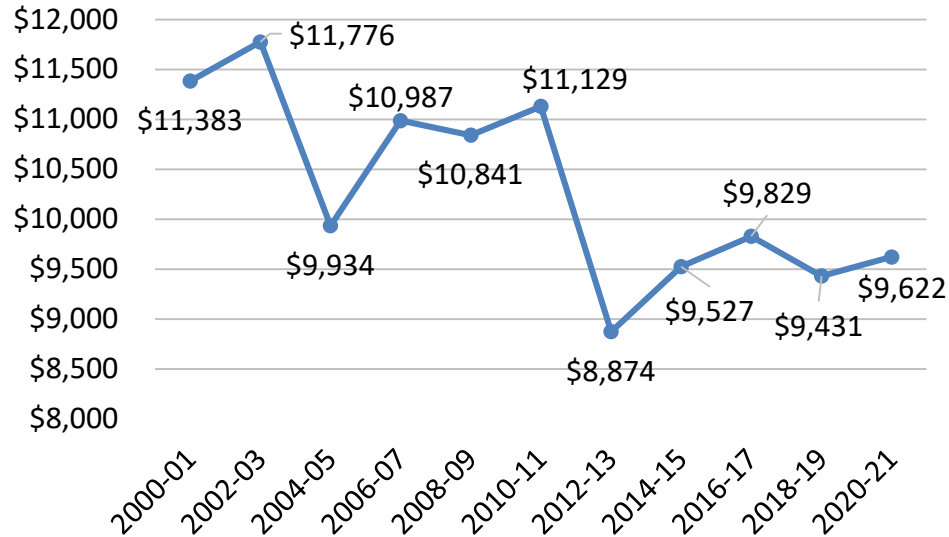


Formula Funding – Health Related Institutions

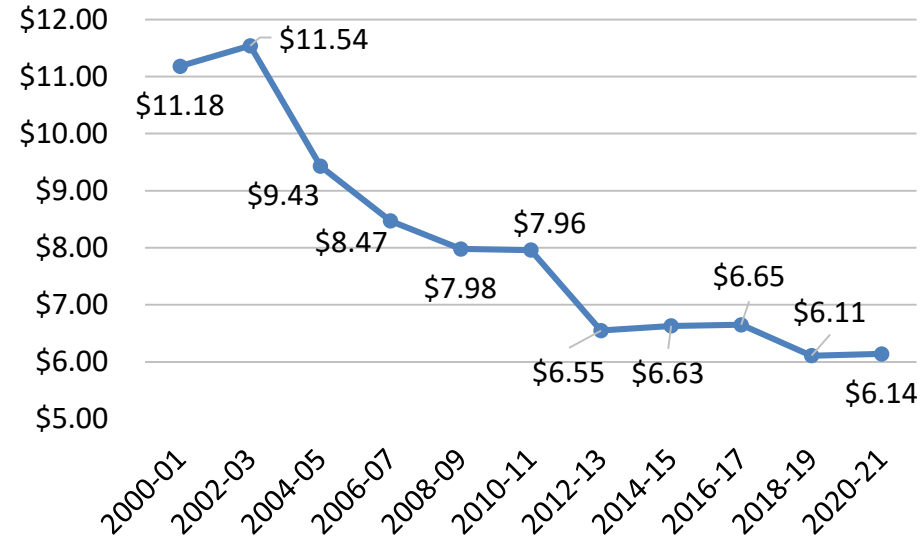


Health Related Formula Rate History

Health Related I&O Rate (per WFTSE)

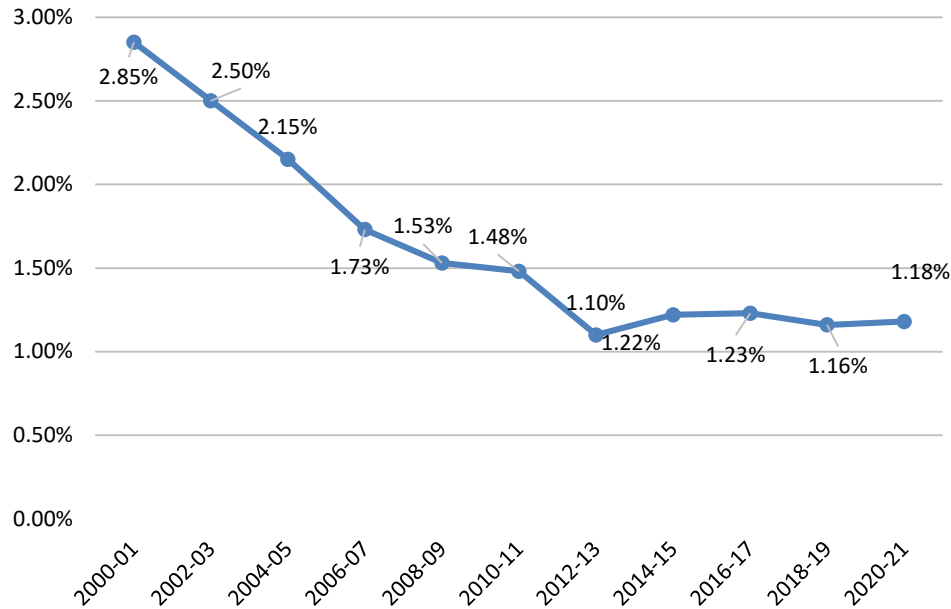


Health Related Infrastructure Rate (per NASF)

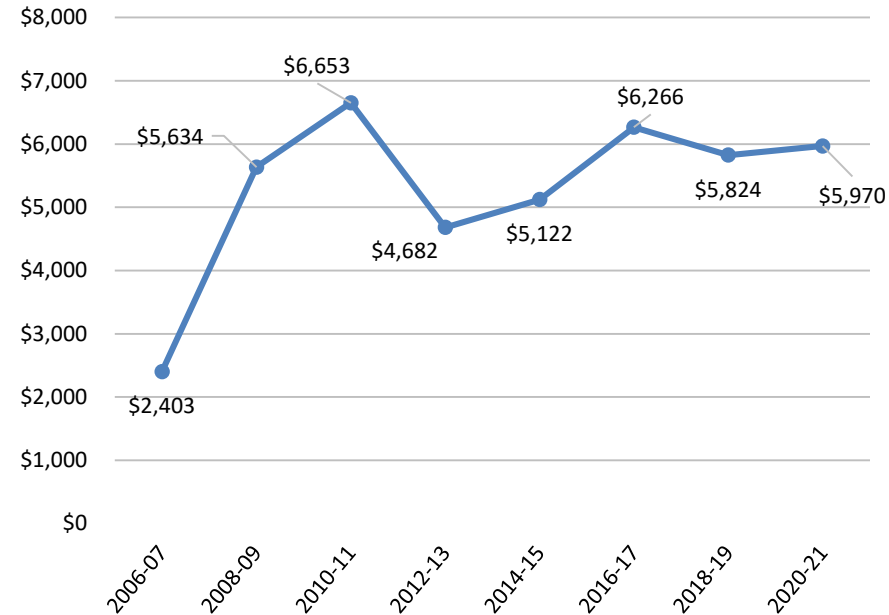


Health Related Formula Rate History

Health Related Research Enhancement Rate (% research expenditures added to base)



Health Related Graduate Medical Education Rate (per Medical Resident)



Non-Formula Funding

- Non-formula support funding remained relatively intact for the 2020-21 biennium
 - New non-formula support funding across higher ed institutions (including Art IX) totaled \$268.5M
 - Non-formula support items for academic institutions considered start-up items that were funded prior to 2010 and items that generate formula funding were reduced 10 percent from 2018-19 funding levels (\$8.2M)
 - Hold harmless funding from 2018-19 was reallocated to non-formula support items for those institutions



Other Budget Items

- Research Funding
 - Academic research funds (TRUF, Comprehensive, and Core) increased to 2016-17 funding levels (\$35M) and now have funding rates included in rider
 - TRIP funding maintained at 2018-19 funding levels. No funding appropriated to address the TRIP backlog
 - CPRIT – constitutional amendment authorizing \$3B in additional bonds goes to voters in November
 - GURI – appropriations total \$40M, including \$17M in new GR
- Higher Education Employees Group Insurance (HEGI) – appropriations funded at 79.4 percent of full ERS premium rate (up from 74.3 percent). However, no premium growth is assumed for second year of the biennium. HEGI funding rate also now included in rider.

| <i>Percent of full ERS premium rate</i> | 2018-19 Rate | 2020-21 Rate |
|---|--------------|--------------|
| UT/TAMU Institutions | 74.3% | 79.4% |
| ERS Institutions | 74.7% | 79.9% |



Other Budget Items

- Coordinating Board
 - TEXAS grants – \$80M increase, supporting 70 percent of eligible students
 - GME - \$60M increase to cover 1.1 to 1 resident to graduate funding ratio
 - Texas Child Mental Health Consortium - \$99M
- Changes to TRS Retirement
 - SB 12 increases the institution's contribution rates from 6.8% to 7.5% for FY 2020-21
 - Employer and employee contribution rates will increase to 8.25% by 2025
 - Institutions will need to consider proportionality implications and the amount the institution will need to pay out of institutional funds



SB 12 – TRS Pension Reform

- State contribution rate in FY 2020-2021 – 7.5% (Current 6.8%)
- Employees will not have an increase in their contributions this upcoming biennium – Increases will take effect in 2022
 - **Fiscal Year** **State** **Active Employee**
 - 2022 7.75% 8.00%
 - 2023 8.00% 8.00%
 - 2024 8.25% 8.25%
 - 2025 8.25% 8.25%
- Protections are included for the contribution rates. If a future Legislature reduces its state contribution, then employee contributions will be reduced by an equivalent percentage
- All eligible members retired as of 12/31/18 will receive an extra matching annuity check (13th check) capped at \$2,000



Select Priority Bills Enacted

- HB 39/HJR 12 by Zerwas/Nelson –Cancer Prevention and Research Institute of Texas (CPRIT) extension and bond authority
- SB 11 - Relating to policies, procedures, and measures for school safety and mental health promotion in public schools and the creation of the Texas Child Mental Health Care Consortium
- HB 1735 by Howard - Relating to sexual harassment, sexual assault, dating violence, and stalking at public and private postsecondary educational institutions
- SB 212 by Huffman - Relating to reporting requirement for certain incidents of sexual harassment, sexual assault, dating violence, or stalking at certain public and private institutions of higher education



Select Priority Bills Enacted

- SB 18 by Huffman – Protection of Expressive Activities at Institutions of Higher Education
- SB 25 by West - Measures To Facilitate The Transfer, Academic Progress, And Timely Graduation Of Students In Public Higher Education
- SB 1663 by Creighton - Relating to the removal, relocation, alteration, or construction of certain monuments or memorials located on public property
- HB 3217 - Relating to certain eligibility requirements for issuance of a teaching certificate



Select Priority Bills Enacted

- SB 1755 - Relating to the status of certain medical residents and fellows as governmental employees for purposes of the Texas Tort Claims Act
- HB 1592 - Relating to health care professional liability coverage for certain public institutions of higher education
- HB 1065 - Relating to the establishment of a rural resident physician grant program



Select Priority Bills Enacted

- SB 1378 - Relating to meeting the graduate medical education needs of medical degree programs offered or proposed by public institutions of higher education
- SB 2111 - Relating to the Health and Human Services Commission developing a plan to contract with a public institution of higher education to operate a certain state hospital
- SB 2270 - Relating to employment policies for certain health care providers employed by medical and dental units



Key Dates

- Monday, August 26, 2019: Date all bills without specific effective dates or immediate effect, become law
- Tuesday, November 5, 2019: Constitutional amendments and municipal office elections
- November 9 – December 9, 2017: Candidate filing for 2020 elections
- Tuesday, March 3, 2020: Texas Primary Election
- Tuesday, May 26, 2020: Runoff Primary Election
- Tuesday, November 3, 2020: General Election



Thank you!



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