



# A Preview of the 88<sup>TH</sup> LEGISLATURE

Stacey Napier, Vice Chancellor for Governmental Relations  
TASSCUBO Primary Members Retreat – October 18, 2022



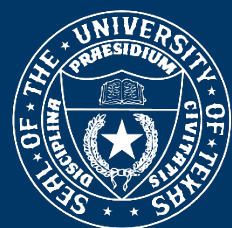
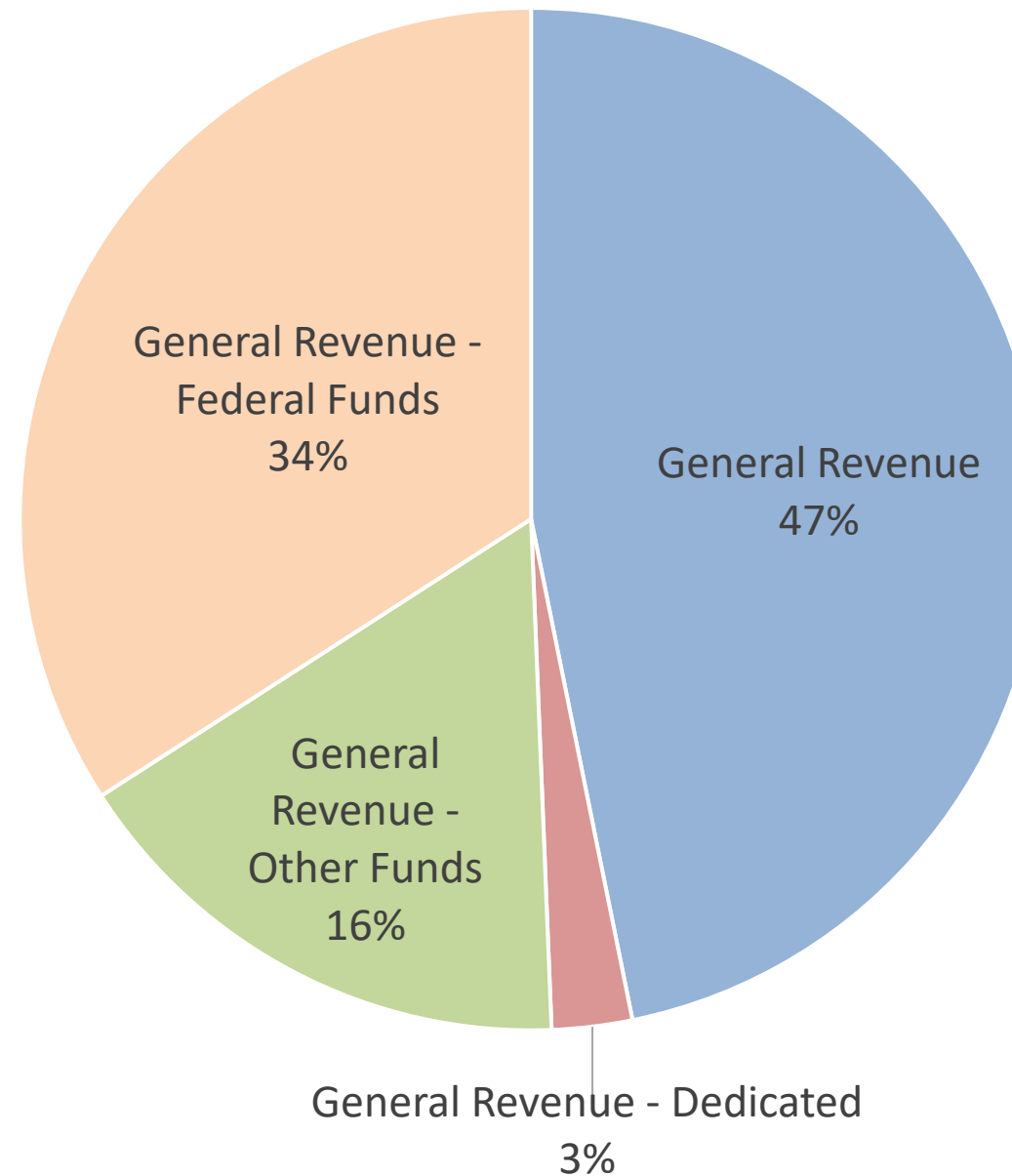
THE UNIVERSITY of TEXAS SYSTEM  
THIRTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

# A Recap of 2021

## The Budget – SB 1

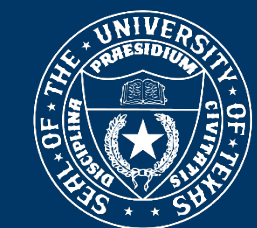
**2022-2023 State Budget (All Funds): \$248.6b**

- **General Revenue (GR): \$116.4b**
- **GR – Dedicated: \$6.3b**
- **GR – Federal Funds: \$84.8b**
- **GR – Other Funds: \$41.1b**



# Higher Education Budget Outcomes

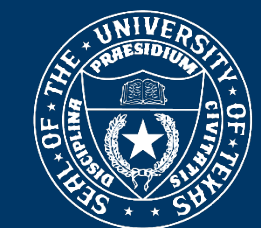
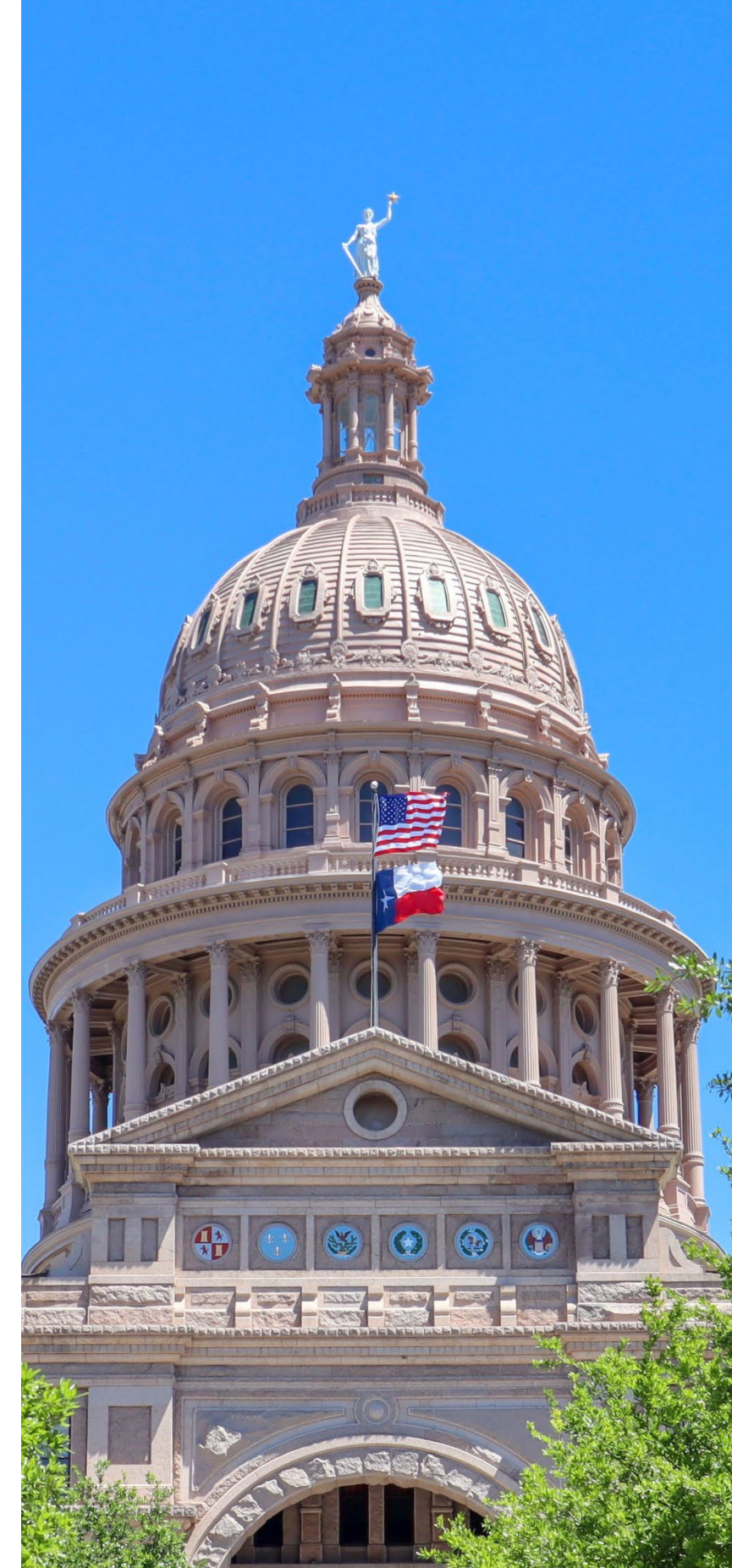
- **Formula Funding** – GR increase of \$380M for academic and health institutions
- **Non-Formula Support** – 5% reductions to non-formula support items carried forward from the 2020-21 biennium (academic institutions) or applied newly (health institutions)
- Academic institution research funds level with previous biennium



# Tuition Revenue Bonds (SB 52)

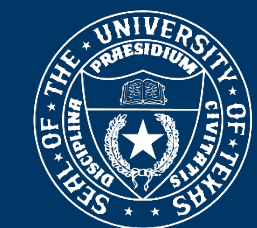
Higher Ed Institutions	TRB Authority
A&M System	\$727.4 million
UT System	\$834.2 million
U of H System	\$339.5 million
Texas State System	\$422.6 million
UNT System	\$273.3 million
TWU	\$100 million
Stephen F. Austin	\$44.9 million
Texas Tech System	\$299.4 million
Texas Southern University	\$95.2 million
TSTC System	\$208.5 million

- Projects subject to oversight by the Contract Advisory Team at the Comptroller’s Office
- Note: TRBs now also known as “Capital Construction Assistance Projects” or “CCAPs”



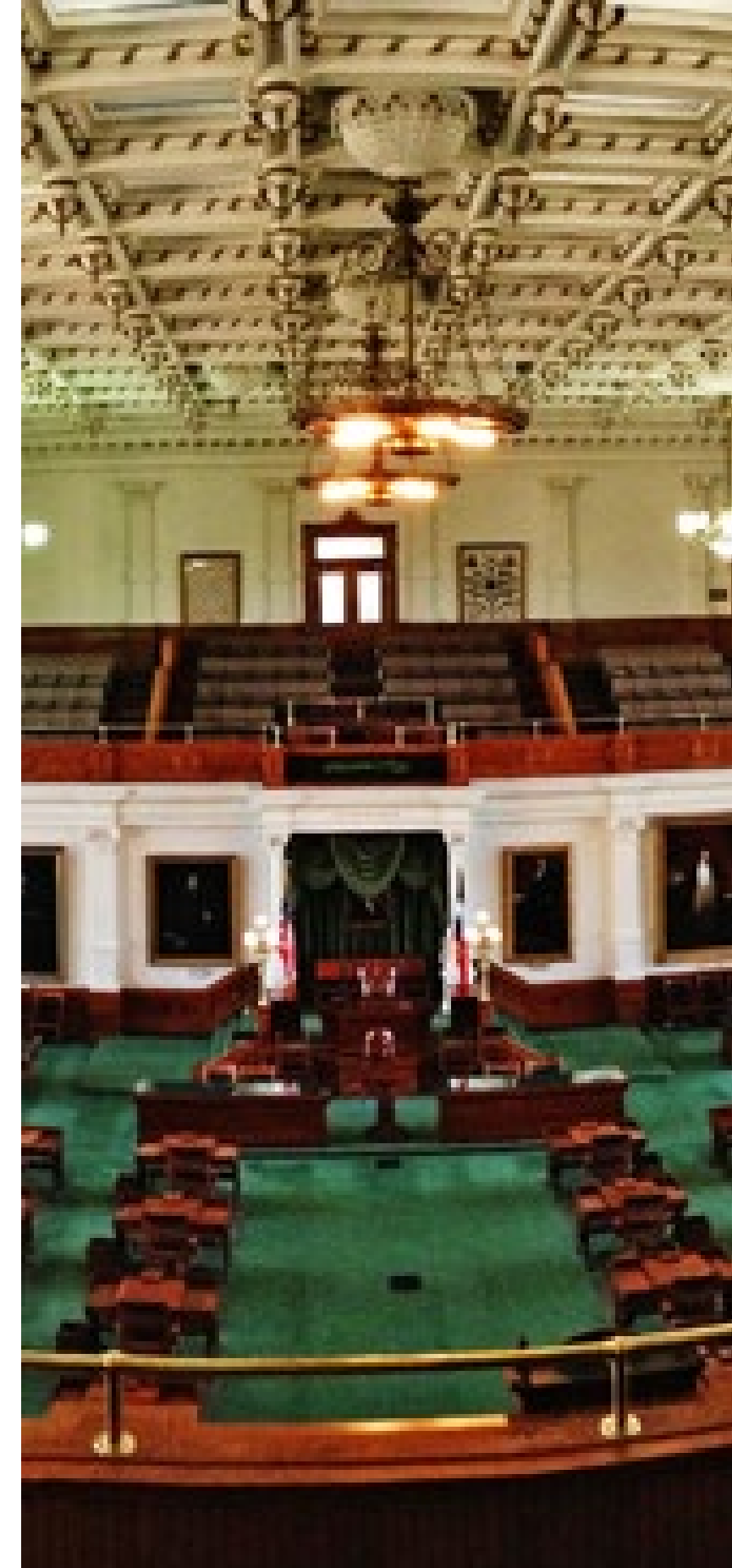
# Budget Outcome – Other Items of Note

- **Cancer Prevention Research Institute of Texas (CPRIT)** – \$600M for the biennium, level with 2020-21
- **Texas Grants** – maintained at the 2020-21 funding levels by restoring the 5% GR reduction of \$43M, supporting 56% of eligible students
- **GME Expansion** – \$199M, an increase of \$48M including restoration of the 5% reduction
- **Texas Child Mental Health Care Consortium** – \$118.5M, an increase of \$19M from 2020-21 (plus ARPA funding)
- **Texas Research Incentive Program** – \$33.3M, a 5% decrease from 2020-21. No funding was provided for the backlog
- **Governor’s University Research Initiative (GURI)** – \$40M
- **Mission Specific Formulas** – New mission specific formulas for Texas A&M Health Science Center, Texas Tech Health Sciences Center, Texas Tech Health Sciences Center – El Paso, and University of North Texas Health Science Center



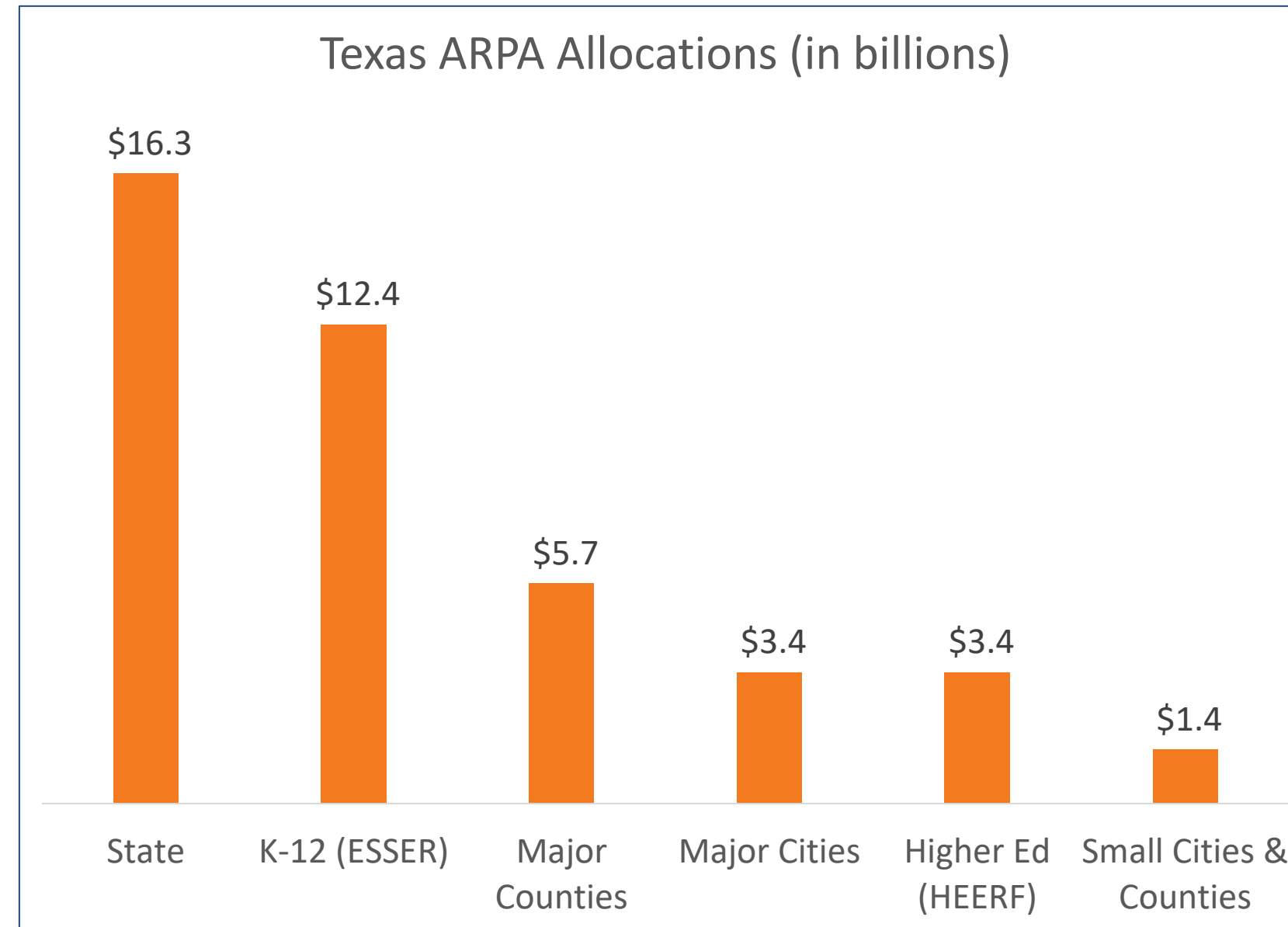
# Major Higher Ed. Issues That Passed – 87R

- HB 885 (Harris) – Community College Expansion
- HB 1027 (Parker) – Textbook Transparency
- HB 3348 (Pacheco) – Community College Expansion
- HB 3767 (Murphy) – Tri-Agency Workforce Initiative
- SB 783 (Creighton) – Purchase of Iron & Steel Products Made in USA
- SB 797 (Hughes) – Requires National Motto in Public Schools & IHEs
- SB 799 (Nelson) – State Contracting/Exempts Higher Ed. From Vendor Performance Tracking
- SB 1102 (Creighton) – Establishment of Texas Reskilling and Upskilling through Education (TRUE) Program
- SB 1227 (Taylor) – College-Level Examination Program (CLEP) Minimum Score Requirement
- SB 1295 (Creighton) – Comprehensive Regional Universities (CRU)
- SB 1385 (Creighton) – Name, Image, Likeness (NIL) of Student Athletes
- SB 1525 (Creighton) – Broadens Use of GURI Grants



# Federal American Rescue Plan Act (ARPA) Funds

- ARPA passed March 2021
- Texas received:
  - \$15.8 billion in the Coronavirus State Fiscal Recovery Fund (CSFR)
  - \$500.5 million in the Coronavirus Capital Projects Fund
- Higher Education and K-12 received additional tranches (HEERF and ESSER)
- Cities and counties directly received funds based on size
- State and local funds are available to be spent through December 31, 2024

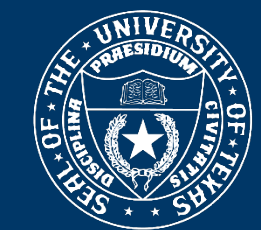
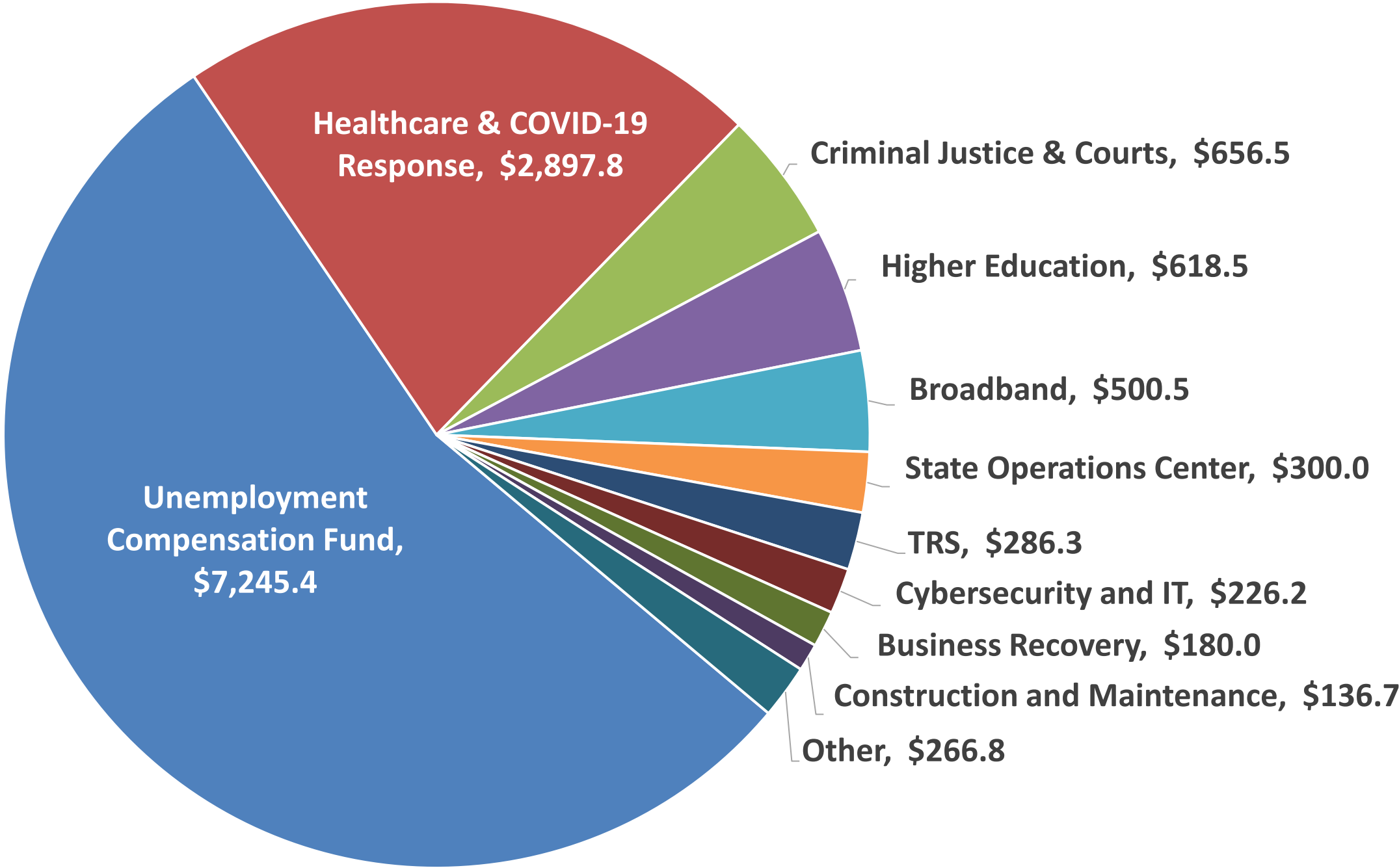


Source: [Texas Comptroller](#)



# SB 8 ARPA Appropriations (in millions)

Total: \$13.3 billion

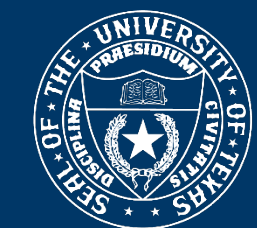




# Higher Education ARPA Appropriations (SB 8)

Texas Child Mental Health Care Consortium	\$113 million
University construction (Tuition Revenue Bonds – TRBs)*	\$325 million
Texas Epidemic Public Health Institute	\$40 million
Texas Reskilling and Upskilling through Education (TRUE)	\$15 million
Comprehensive Regional Universities (CRU)	\$20 million
Institutional enhancement for Texas Tech and the University of Houston	\$50 million
Texas A&M Institute for a Disaster Resilient Texas	\$1.15 million
UT Austin Marine Science Institute	\$3 million
UT Austin Briscoe Garner Museum	\$235,000
Rural Veterinarians Grant Program	\$1 million

\*TRB authority in SB 52 (Creighton)





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# Economic Outlook

## Economic Conditions

- The economic conditions going into the 88<sup>th</sup> Legislative Session are completely different than they were going into the 87th
- Comptroller data shows continued increases in major sources of state revenue, many reaching record highs
- Total tax are collections up 30% compared to last year
  - Sales tax are collections up, reflecting inflation and continued expansion in economic activity, employment
  - Continued growth in severance tax collections due to elevated oil and gas prices caused by energy market volatility



# Budget Outlook

## Revised Revenue Estimate

- In July, the Comptroller raised the Certification Revenue Estimate (CRE) by \$13.75 billion, projecting a fiscal 2023 ending balance of \$26.95 billion
- The Comptroller indicated this reflects the largest one-year increase in total tax collection in Texas history
- Revenues will likely be spent on state priorities like Health and Human Services, Criminal Justice, Public Education, and Property Tax Relief, while higher education funding will remain discretionary

## Spending Limit

- Projected revenue is in excess of the spending limit that was adopted for the biennium
- Not all revenue will be spent as the 88<sup>th</sup> Legislature will likely be required to adopt a spending limit that will cap spending below available revenue



# Budget Considerations for 88th Session

## Surplus Revenue

\$27 billion	Projected revenue surplus end of FY 23 (estimated by the Comptroller in July 2022)
\$840 million	Actual revenue above estimate end of FY 22
\$5.0 billion*	Additional ARPA funds available to appropriate
TBD	Projected revenue surplus end of FY 25 at current spending levels – will be released in January 2023
<b>Total: \$32.8 billion</b>	<b>Total amount of “surplus revenue” available to the 88<sup>th</sup> Legislature</b>

## Rainy Day Fund Balance

\$13.7 billion	Projected balance end of FY23
\$7.3 billion	Possible FY24/25 transfers –based on Comptroller’s estimate for FY23 in July 2022
<b>Total: \$21 billion</b>	<b>Possible balance end of FY25</b>

## Limitations on Spending

The final budget and any supplemental appropriations must fit within ALL limits.

- Pay as you go: Can’t spend more than estimated revenue.
- **Tax spending Limit:** Spending can’t grow faster than state economy growth rate.
- Consolidated GR Appropriations: Spending can’t grow faster than population times inflation, excluding tax relief.

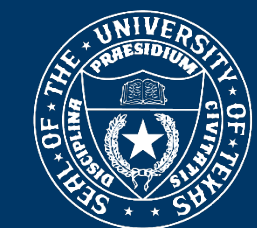
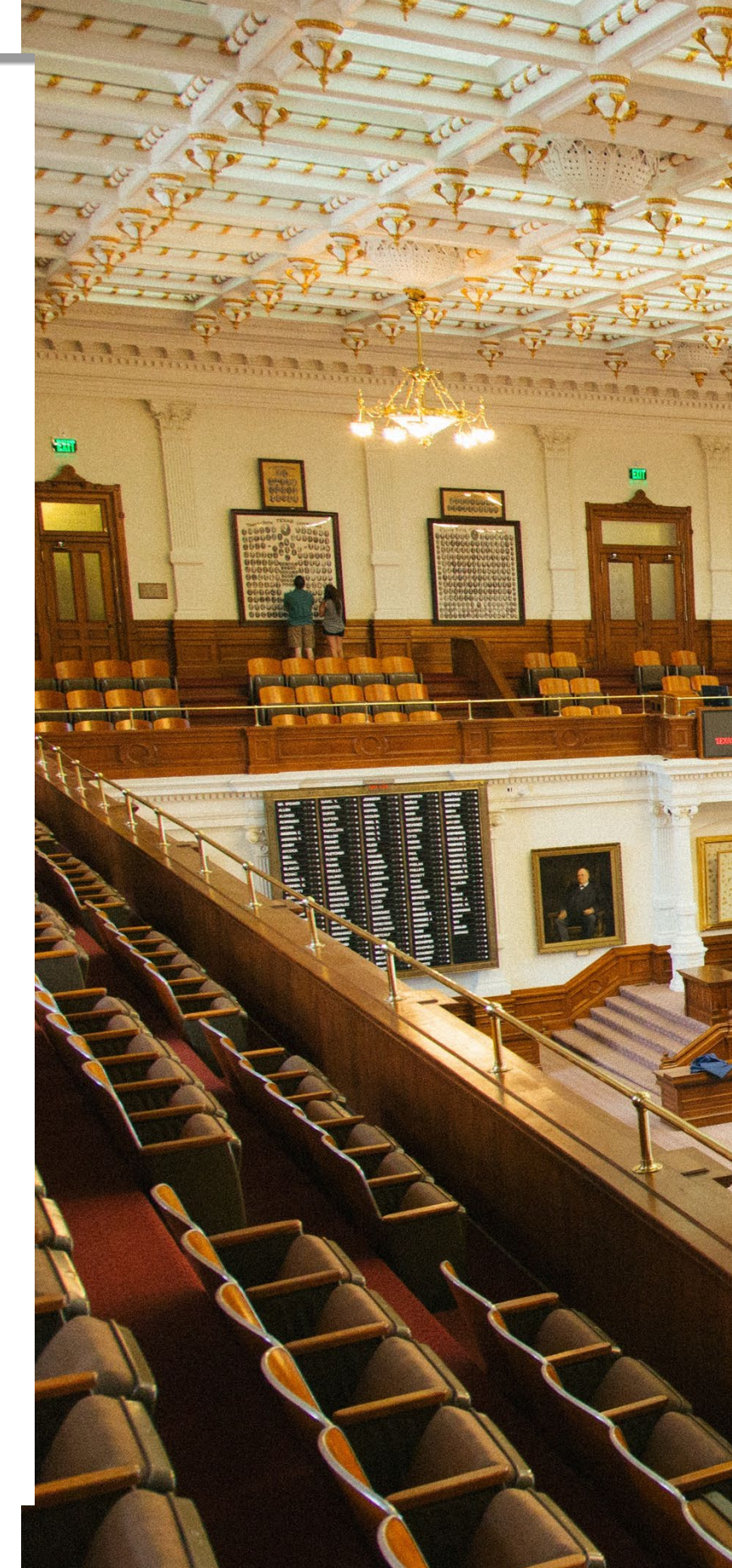
## Controlling Limit

**Tax spending limit** will likely be the most constraining limit.

Using previous growth rates of 7% in 2021 and 9.9% in 2022, **new spending could be limited to \$8.5 billion - \$12 billion.\***

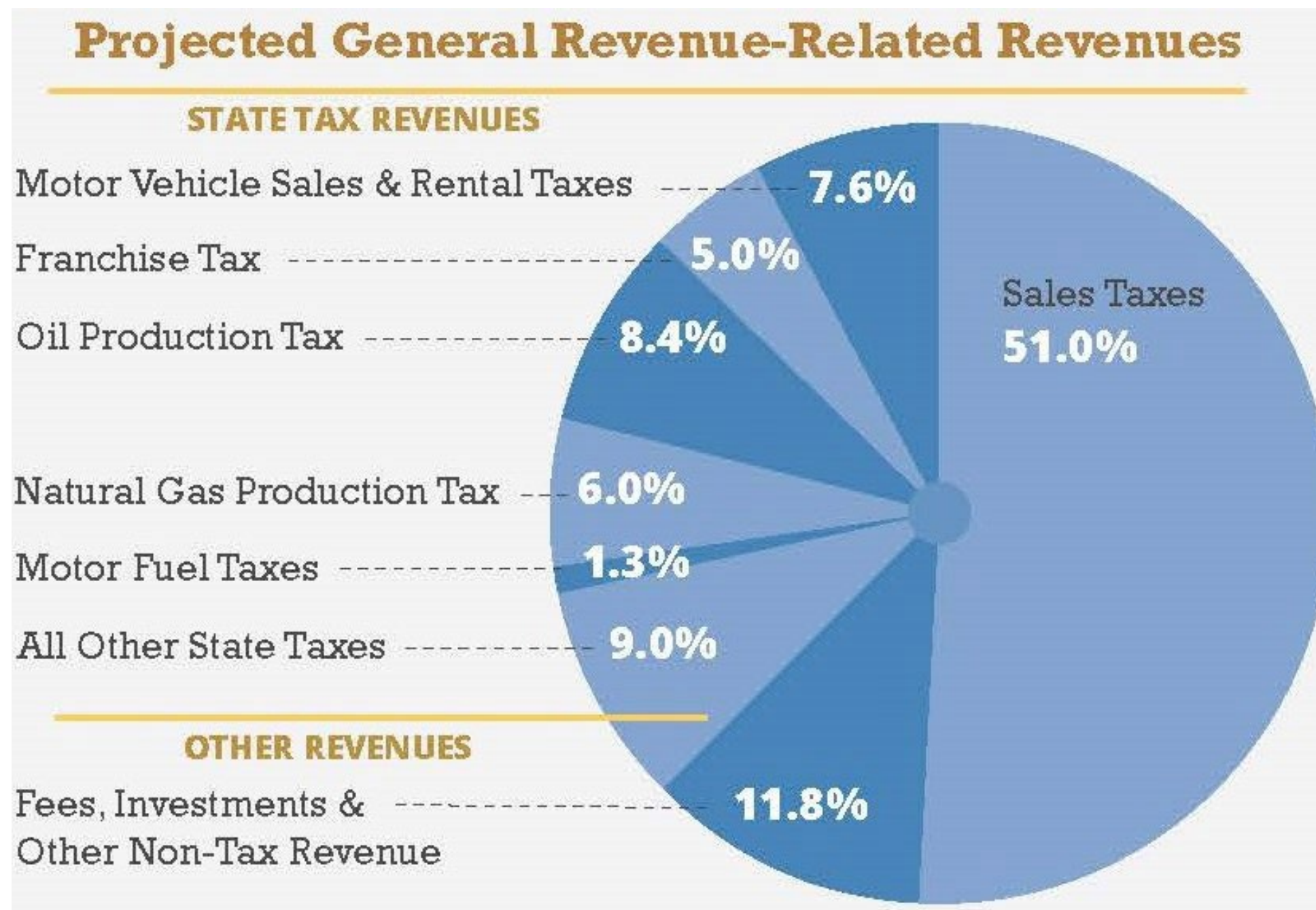
**This excludes ARPA and funds constitutionally dedicated.**

\*Numbers estimated to provide overall context. Several factors will impact actual amounts, including supplemental appropriations and mix of tax revenue<sup>1</sup> vs. non-tax revenue.



# State Tax Revenue by Source

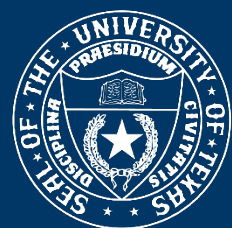
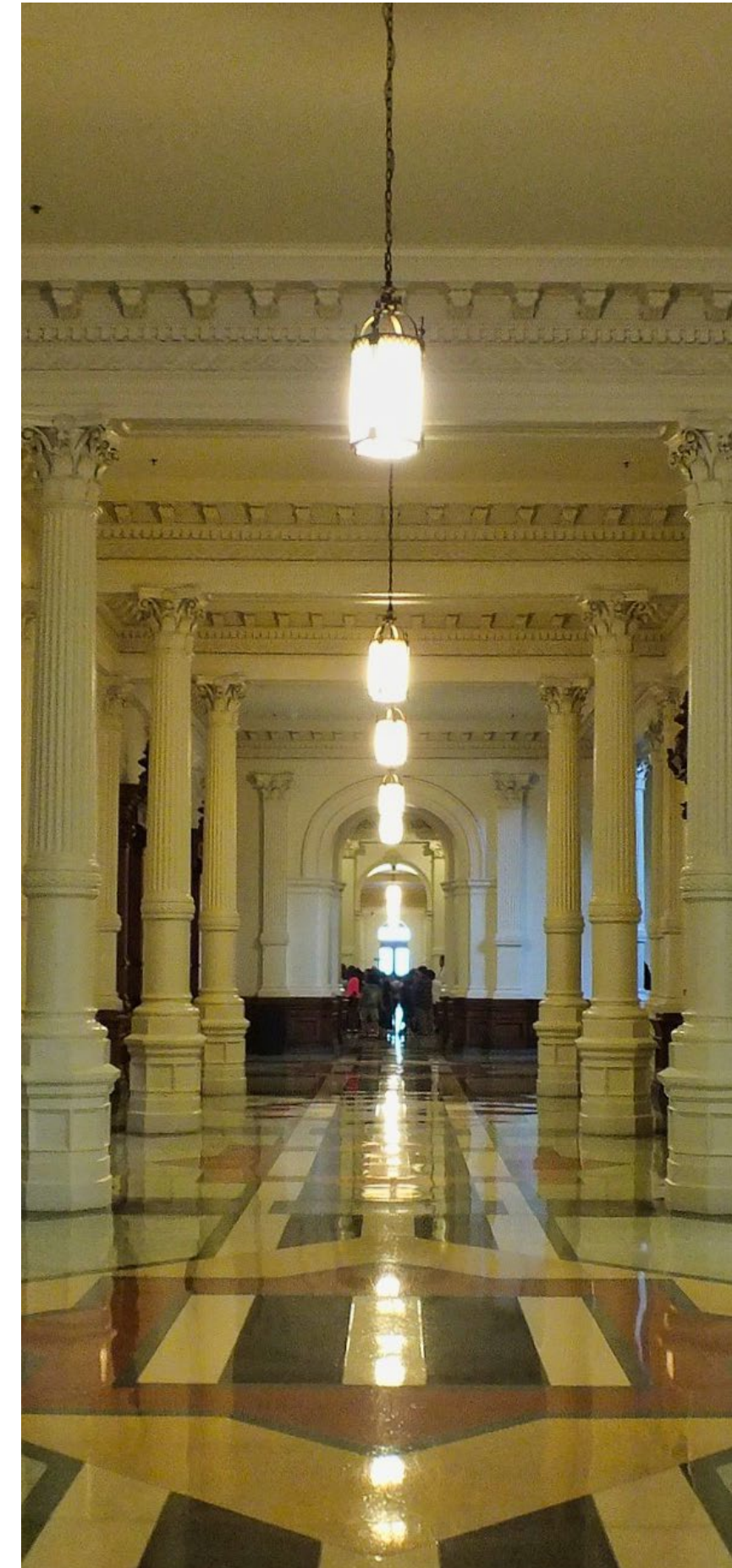
- State sales tax collections exceeded \$3 billion each month for the last 15 months
- The Economic Stabilization Fund (ESF) and State Highway Fund (SHF) will each receive \$3.58 billion in severance taxes



# The Budget Outlook – Sales & Use Taxes

**Sales tax revenue was \$42.97 billion, up 19.3 percent from fiscal 2021**

- Nearly all segments of the retail sector came in with higher receipts than a year ago with online shopping and grocery store sales leading the way
- Restaurant receipts were also up from last year while sporting goods, hobby stores, clothing, and accessories sectors were slightly down
- Inflation has driven higher sales tax collections as demand remains strong and consumers continue to pay higher prices for goods



# The Budget Outlook – Other Taxes

**Motor vehicle sales and rental tax revenue** was \$6.45 billion, up 12.5 percent from fiscal 2021.

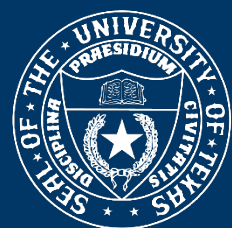
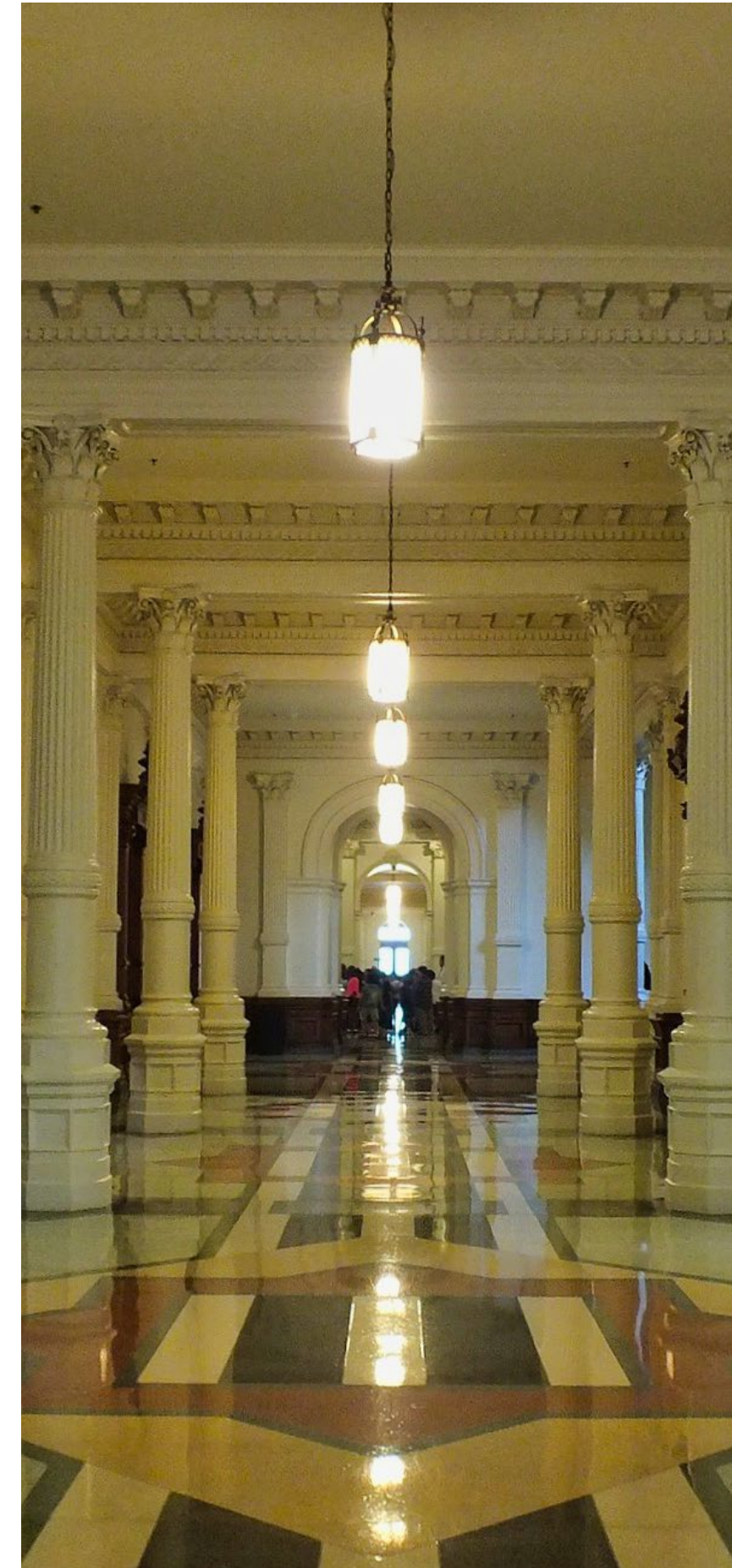
**Natural gas production tax revenue** was \$4.47 billion, up 185 percent from fiscal 2021

**Oil production tax revenue** was \$6.36 billion, up 84.4 percent from fiscal 2021

- Inflation was exacerbated by spikes in oil and other commodity prices following the Russian invasion of Ukraine

## **Economic Stabilization Fund**

- The Comptroller's Office expects the balance will be around \$13.6 billion by the time the Legislature convenes for its 2023 session.

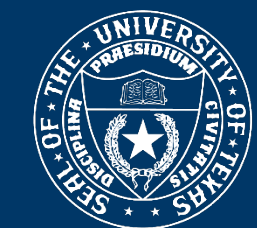




# The Budget Outlook – Considerations

## The revised estimate is subject to significant uncertainty

- The Federal Reserve System and other central banks are taking action to curb inflation
- Geopolitical conflict or renewed COVID restrictions at global trading partners could impair economic activity
- The rate of economic growth is expected to slow and revenue growth in FY 2023 is estimated conservatively with heightened risk of recession



# Budget Timeline

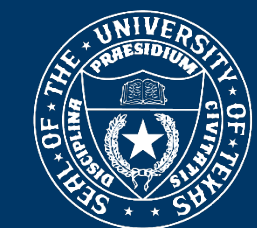
LEGISLATIVE APPROPRIATION REQUEST CALENDAR		
June 30, 2022	✓	LBB Issued LAR Instructions to State Agencies
August 5, 2022	✓	LAR Due to LBB and Governor
August-September 2022	✓	LAR Joint Budget Hearings
January 2023		Comptroller publishes Biennial Revenue Estimate
January 2023		LBB delivers recommendations to Legislature
February 2023		Governor delivers budget proposal to Legislature
January-May 2023		Legislature considers and passes General Appropriations Act
June 2023		Comptroller certifies General Appropriations Act
June 2023		Governor approves General Appropriations Act and issues veto proclamation



# House Interim Charges

## House Committee on Higher Education

- Review progress towards goals of the 60X30 plan
- Examine factors that have contributed to the rising costs of higher education
- Evaluate the **state's teacher workforce** and practices to improve the recruitment, preparation, and retention of high-quality educators
- Review the investments of **endowment funds**, including the Permanent University Fund, by university systems in businesses and funds controlled by **Russia**
- Monitoring legislation related to TRUE Program and financial support for **comprehensive regional universities**



# House Interim Charges

## House Committee on Appropriations

- Examine increasing **access to and affordability** of post-secondary degrees
- Review current Texas research and endowment funds
- Monitor legislation relating to revenue bonds funding capital projects at public institutions of higher education

## House Committee on Public Health

- Study **telemedicine** trends and make recommendations on consent for treatment, data collection, sharing and retention schedules
- Examine opportunities to strengthen the state's nursing and other health professional workforce, including rural physicians and nurses
- Assess challenges in rural health care and funding from the 87th regular and special sessions and the sustainability of rural health care providers

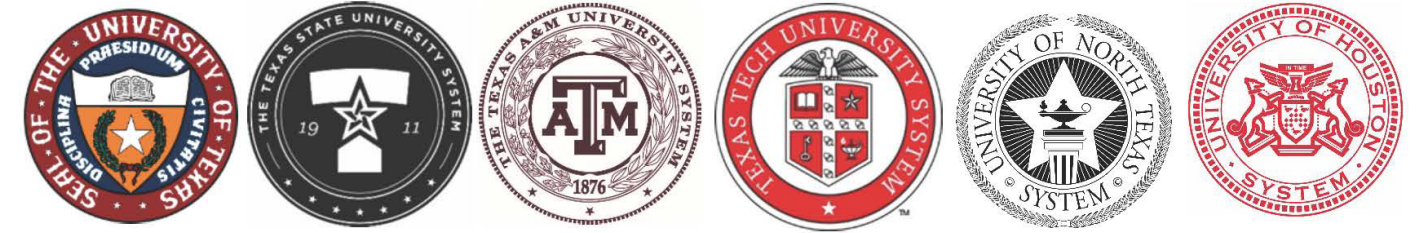


# House Appropriations Hearing September 9, 2022

**Continue the state's investment in formula funding – the foundation of funding for Texas public institutions of higher education, flowing directly into college classrooms – thereby reducing pressure on student loans, tuition and fees.**

**Funding enrollment growth and increasing the formula rates to account for annual inflation will enable Texas' higher education systems to minimize tuition increases and provide certainty for Texas families.**

**With additional formula investments to address unprecedented rising costs and general revenue investment to account for major cost drivers like the Hazlewood legacy program and declining higher education group insurance (HEGI) rates, we could continue to limit tuition increases even more.**



## Joint Written Testimony before the House Appropriations Committee September 9, 2022

Texas families deserve world-class, accessible, and affordable higher education opportunities within their home state. A well-educated workforce is the key to the future economic growth, success, and resiliency of Texas and a college degree remains the best vehicle to achieve intergenerational social mobility. Working together, Texas institutions of higher education and state leadership will be able to meet the skilled workforce demands of our economy, uphold our commitment to providing educational opportunities for Texans and continue to exercise responsible stewardship of state funds.

*Contribution to Workforce.* Texas has a lot to be proud of when it comes to higher education. Our state's general academic and health related institutions enroll more than 702,000 students and produce over half of all degrees awarded in Texas, graduating nearly 181,000 students into the workforce in 2021. As a result of the strength of our economy, Texas is currently facing an unprecedented skilled labor shortage. There are an estimated 1.4 million unfilled jobs in Texas – a figure which is expected to grow – making the need for investment in higher education even greater than before.

Public universities are committed to improving efficiencies in higher education by reducing time to degree, increasing graduation rates, and reducing the number of excess semester credit hours – all of which reduce the actual costs to students, better positioning them to enter high-skilled jobs with no or manageable student debt. Significant progress has been made – for example, Texas students have seen a reduction in time to degree from 5.3 years in 2012 to 4.7 years in 2021. The average number of semester credit hours to degree has likewise declined over the same time period from 147 to 133, resulting in significant savings to families.

*Affordability.* Average in-state college tuition in Texas is significantly less than the national average. Between 2021 and 2022, tuition and fees in Texas increased approximately 2.3%, significantly less than inflationary costs over the same period. And recognizing the pressures facing Texas families, no institution raised tuition during the 2022/2023 academic year. Student debt in Texas remains lower than the national average, with student debt loads shrinking year-over-year. In fact, the statewide percentage of public university bachelor's degree graduates with debt has declined from 63.2% in 2013 to 55.4% in 2021. National efforts to increase Pell Grant support, coupled with statewide programs like TEXAS Grants, and individual system and institutional programs which provide low-income families with financial assistance are making college more affordable than ever for Texas families.

*Challenges.* Higher education looks very different in 2022 than it did pre-pandemic – much less a decade or two ago – requiring more personal, hands-on student support and technology services to meet the needs of today's students. At every step in the process, from recruitment and admission, to retention and graduation, today's student requires more advising, tutoring and supplemental instruction, mental health services, and financial planning in order to succeed and overcome unforeseen challenges in the journey to academic success. These

# Senate Interim Charges

## Senate Committee on Higher Education

- Review the history of and current statutes and policies of **academic tenure** in Texas public higher education institutions
- Study the postsecondary enrollment trends across all sectors and levels of higher education in Texas. Evaluate state efforts to support access to work-based learning and **microcredential** opportunities
- Examine current course requirements for students in United States History
- Review the history and use of the **Permanent University Fund**
- Review **financial aid** and scholarship opportunities
- Monitoring legislation related to **TRUE Program**, compensation for student athletes, and the **Tri-Agency Workforce Initiative**



# Senate Interim Charges

## Senate Committee on Education

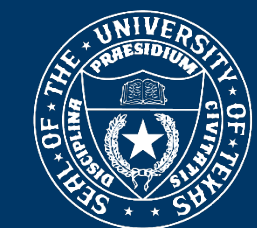
- Examine the **public school educator talent pipeline**, staffing patterns and practices, and declining student enrollment and attendance

## Senate Committee on Finance

- Examine the state **mental health** service delivery system and state hospital capacity
- Monitor the financial impact of federal decision-making affecting supplemental Medicaid funding for Texas hospitals and health care systems

## Senate Committee on Health and Human Services

- Study the impact of the global pandemic on the **health care workforce** in acute and long-term care



# What to Expect

## Statewide Issues

- Legislative responses to the Uvalde school shooting
- Ongoing Texas-Mexico border operation and Operation Lone Star
- Inflation and property tax relief measures
- Performance of the electric grid
- Russian invasion of Ukraine
- Status of Roe v. Wade
- Foster care system
- Public education
- Social issues

## Higher Education Policy Issues

- Teacher workforce shortage
- Nursing/healthcare workforce shortage
- Faculty tenure
- Critical race theory
- Higher Education Group Insurance (HEGI) funding





# What We Know

## Statewide Offices

- Incumbents Gov. Greg Abbott, Lt. Gov. Dan Patrick, A.G. Ken Paxton won their primaries

## House and Senate

- 29 Representatives leaving current seats (16 Rs, 13 Ds)
- 5 Senators leaving current seats (4 Rs, 1 D)
- New legislative maps resulting from redistricting

## Committee Changes

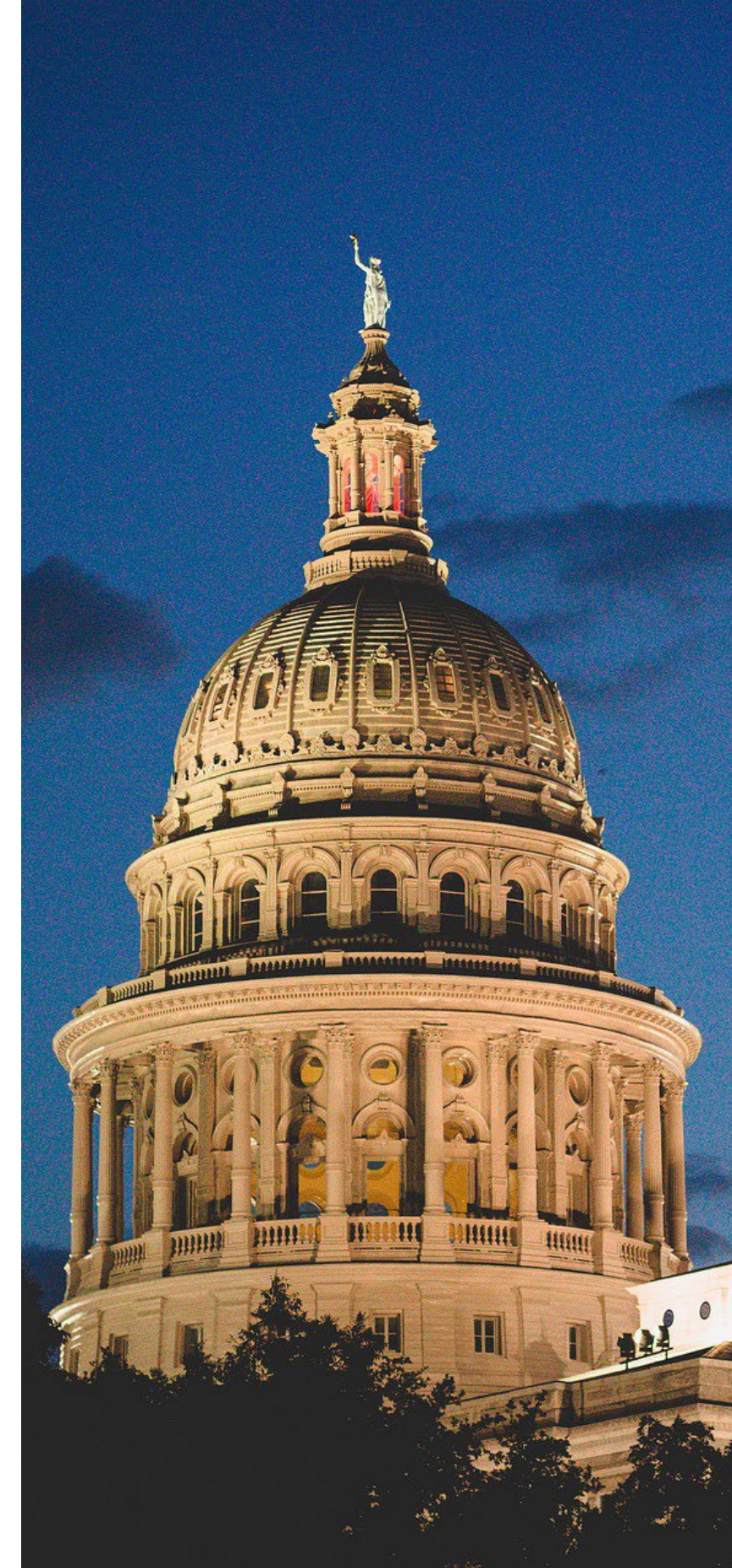
- Senate Higher Education Committee made a subcommittee under Education - Both currently chaired by Sen. Creighton
- New chairs for House Higher Education (to be determined), Senate Finance (Sen. Joan Huffman), and House State Affairs (Rep. Will Metcalf)



# Key Dates



- November 8, 2022 – General Election Day
- November 14, 2022 – Prefiling for the 87<sup>th</sup> Legislative Session Begins
- January 10, 2023 – Legislature Convenes
- March 10, 2023 – 60-Day Bill Filing Deadline
- May 29, 2023 – Adjournment Sine Die
- June 18, 2023 – Deadline for Governor to Sign or Veto Legislation
- August 28, 2023 – General Effective Date (91<sup>st</sup> Day After Sine Die)



# Questions?

