

Senate Finance Committee
March 14, 2007

Agenda/Discussion

SB1 discussion with Senator Janek laying out the Work Group recommendations. He summarized the recommendations as \$443 million in GR and \$438 in all funds with \$182 million on the wish list. Major decisions:

- (1) Financial aid with \$130 million in TEXAS Grants and B-on-Time
- (2) Formula increases for universities and community colleges of 3.8% increases and hold harmless of no more than a 3% loss; \$114 million in additional funding for the general academics and \$14 for Lamars/TSTCs, and \$120 million for community colleges.

Coordinating Board—the Work Group approved \$158 million with an additional \$50 million on the wish list. Exceptional Items: \$65 million in additional funds for TEXAS Grants with an additional \$10 million on the wish list. Focused on reversed layering, providing lower TEXAS Grant amounts in the freshman year with increasing amounts each year completed to better utilize the funds. Discussion is not complete, the group is concerned about the impact on freshmen; a recommendation is pending. The group is trying to maximize financial aid. Senator Zaffirini referred to a “shell bill” of Senator Shapiro’s in the event this idea is pursued.

\$65 million for B-on-Time. If graduate with a 2.5 GPA or graduate within five years half of the loan could be forgiven—a discussion with Senator Zaffirini filing legislation to this respect. Also \$2 million is on the wish list for B-on-Time. Texas Education Opportunity Grants and College Work Study each have an additional \$5 million on the wish list. Advanced Research Program (ARP) \$8.3 million, \$8.3 million for wish list; \$3.68 million JAMP and \$1 million for the wish list. Professional Nursing Shortage Reduction Program, \$953,284; \$1 million for the physician education loan repayment program, and \$888,133 indirect administration for the CB. Also, \$400,000 for a CB research center, \$297,384 to upgrade phone system, \$420,000 for SREB membership, \$1.6 million for alternative teaching certificate programs at community colleges with an added \$1.6 million on the wish list. Pended enrollment growth at community colleges to consider combining with new campus college funding. Contact hours funding was discussed.

Pended: \$2.3 million for Centers for Teacher Education; \$3 million BCOM to align funding decisions with other health-related institutions; \$6.3 million for new cc campus funding and an additional \$6.3 million on wish list.

Approved \$1.9 million for Alzheimer’s Research Funding. Senator Zaffirini noted the difference between the CB’s request of \$75 million for the ARP when the Work Group provided \$8 with \$8 on wish list. Senator Janek responded the work group looked at the dollars and asked in what ways this research is different from other research programs. Discussion followed on basic research. Senator Zaffirini suggested the balance be placed on the wish list with Senator Janek providing the money instead be put in the formula for the institutions to decide how to spend.

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Senator Lucio asked which projects the work group prioritized over the ARP; Senator Janek said the discussion did not occur that way and noted the base bill was doubled. Senator Duncan supports ARP funding and recommendations of the work group. Senator Lucio wanted to know if the \$75 million request was inflated or justified, or how it came about when compared to what the work group funded. Senator Zaffirini noted the ARP will generate an additional \$212.6 million in external funding and recommending approval of the work group's recommendation with the balance of the request--\$58.3 million--pending (agreed).

Riders on the Wish List:

--Cancer Registry-unexpended balance authority of \$2.1 million

--OAG loan repayment program

--New community college campuses (six campuses, provides for 50% of the request at \$6 million total)

--Student financial aid program incorporates additional funding of TEXAS Grants and B-on-Time

--Interim study of funding formulas for public universities, \$1 million: Senator Duncan expressed concern spending funds for a group to prove an existing hypothesis. He requested additional information, that the study look at regional impact or other details. Senator Janek clarified this is a request of the work group (his rider), looking at how formula changes impact one institution or another, as an interim look at all funding formulas for the legislature to have a better understanding of how the formulas work. Senator Lucio agreed with Senator Duncan that this is a lot of money that the legislature will probably ignore anyway. Senator Janek said the study could address why we have the traditional split between I&O and Infrastructure. Senator Zaffirini offered this is a discussion topic she has had with the Lt. Governor within the topic of accountability and this will be pursued during the interim. Senator West noted the importance of understanding regional differences, individual institutions, and a multitude of factors; a study is needed but the legislature should put forth specific questions to be examined. Pending.

General Academics/Lamar's/TSTC Recommendations

Senator Janek noted \$155 million in additional funding with \$89 million on the wish list. Formula funding is a big item, maintaining the phase-in of the cost matrix update (\$100 million, or a 3.8% increase in formula funding). Runs include more than that amount, with special item funding for Texas A&M Galveston rolled-in. Hold harmless (3% maximum) includes \$13 million for the general academics, \$2.8 million for Lamar's and \$11.7 million TSTCs. Also, \$25 million for an Academic Development Initiative at Prairie View A&M University (previously OCR). Texas Southern University's items are pending. Approved \$200,000 for University Center at Dallas, with Senator West providing additional comments of support. The work group recommends \$83 million for incentive funding for general academics, \$5.6 million for funding of UNT law center; did not adopt exceptional items for the universities, instead leaving the discussion for the full committee. Senator Janek suggested the committee consider the multitude of special/exceptional items—what is truly special?—for later discussion or the interim.

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There are some technical items and riders. LBB presented refinement of the tuition estimate.

Approved \$122 million for community colleges with \$43 million on the wish list including a 3.8 percent formula increase and a 3% hold harmless. He mentioned the group's discussions on colleges with declining contact hours and if hold harmless is warranted over time. Senator Zaffirini noted a huge gap in the recommendation of the colleges and that of the work group and asked why the difference was not placed on the wish list. Senator Duncan commented on the forthcoming recommendation of \$104.3 million for HEGI as an example (\$34.7 million will go to community colleges) where general academics and health-related institutions have proportionality. He would like to get community colleges to a level of funding in the future where "everyone can be treated the same." Additional community college funding recommendations were presented, including \$43 million on the wish list for an incentive program.

Technical programs and rider issues were presented for community colleges, followed by the extension services recommendations. LBB corrections were presented. Senator Ogden clarified the recommendations of the work group be amended to clarify Texas Southern University is not included. Additionally, wish list and pending items are not to be included on the vote. Approved.

Special Topics: Work Group E

(1 hour 10 minutes into the meeting)

Senator Duncan reviewed the issues, beginning with the Employee Retirement System. Pending items include a state employee pay raise. Second, the Teacher Retirement System with the current state contribution rate at 6.0 and the base bill at 6.4. The work group looked at requests to increase to over 7, with the decision to stay at 6.4. Continuation of an insurance benefits comparison study was presented for \$250,000. Senator Eltife asked how the funding would be achieved, stating a preference for the 6.6 level; discussion ensued. Senator Janek suggested defined contribution instead of defined payout plans (not a part of their charge).

Optional Retirement Program: No recommendations.

Higher Education Group Insurance: A significant appropriation of \$104.3 million is recommended to fund at 100% for all of higher education, including community colleges. This includes a 1% increase for inflation (to 9%). Last session this was cut about 12.5% by the legislature. This represents new dollars into higher education, although institutions will refer to this as a restoration instead of new funds.

Available University Fund: No recommendations. Senator Duncan commended the UT System for their use of AUF to help defeat bonds in the quest for TRBs.

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Higher Education Fund: Adopted the base bill; no decisions to make. The additional appropriation is \$262.5 million with a total of \$525 million for the biennium.

Health-Related Institutions. Recommend to pend at this time.

Senator Ogden encouraged members to consider the amount spent, pended. He found the discussion interesting, noting if the recommendations are adopted, total GR for higher education is \$16.75 billion—a 15% increase over the previous biennium. The LBB recommendation for state growth is 13.1%. Although there are issues members feel strongly about, a 15% increase as compared to the last biennium is significant.

The work group's recommendations were adopted by the committee.