

Higher Education Fund (HEF) Recommendations for 2026-2035

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Higher Education Fund (HEF): Overview

Texas Constitution, Article VII, Section 17 authorizes the HEF to provide support for capital needs for certain institutions of higher education (IHEs). Funds are to be allocated by an equitable formula among eligible institutions.

ELIGIBLE USES



**ACQUIRING LAND OR
CONSTRUCTING/EQUIPPING BUILDINGS**



**REPAIR, REHABILITATION OF
BUILDINGS, OR OTHER PERMANENT
IMPROVEMENTS**



**CAPITAL EQUIPMENT, LIBRARY BOOKS
AND LIBRARY MATERIALS**



**DEBT SERVICE ON BONDS TO FINANCE
PROJECTS FOR ELIGIBLE USES (up to
50%)**

Funds **may not be used** for student housing, intercollegiate athletics, or auxiliary enterprises.

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HEF Study and Timeline

WE ARE HERE

- The Texas Constitution requires the Legislature to review HEF funding level and formula allocation every 10 years.
- In the fifth year of a 10-year period, the Legislature may adjust the allocation of the appropriation for the next five years
- Texas Higher Education Coordinating Board (THECB) is required to conduct, with participation of eligible institutions, a study and make recommendations to the Legislative Budget Board and the Legislature.



SUMMER 2024

Study participants meet to make recommendations for the allocation methodology and funding level



OCTOBER 2024

THECB considers the study and adopts final recommendations



SPRING 2025

89th Texas Legislature considers passage of a bill for HEF funding allocation and associated funding level



SEPTEMBER 1, 2025

First fiscal year the new allocation and/or funding level takes effect, if passed

Eligible Institutions of Higher Education (IHE): Do not receive Support from AUF

Texas A&M University System

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

University of North Texas System

University of North Texas
University of North Texas at Dallas
University of North Texas Health Science Center

University of Houston System

University of Houston
University of Houston-Clear Lake
University of Houston-Downtown
University of Houston-Victoria
University of Houston College of Medicine*

Texas Tech University System

Texas Tech University
Texas Tech University Health Sciences Center
Texas Tech University Health Sciences Center-El Paso
Angelo State University
Midwestern State University

Texas State Technical College System

Texas State University System

Texas State University
Lamar University
Lamar Institute of Technology
Lamar State College Orange
Lamar State College Port Arthur
Sam Houston State University
Sam Houston State University College of Osteopathic Medicine*
Sul Ross State University
Sul Ross State University Rio Grande College

Texas Southern University

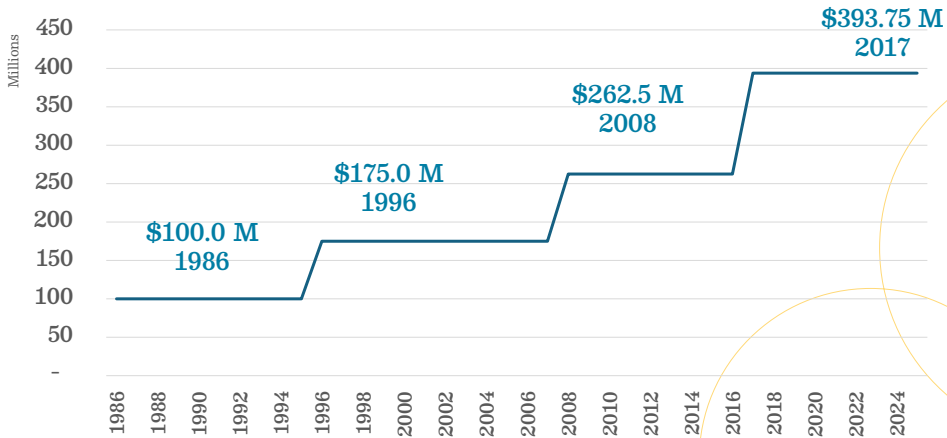
Texas Woman's University System

Texas Woman's University

THECB Texas Higher Education Coordinating Board * Institutions eligible to receive HEF for the first time in fiscal year 2026

HEF Total Allocation History: Amounts by Institution are set in Statute

Annual HEF Appropriations by Fiscal Year



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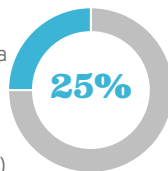
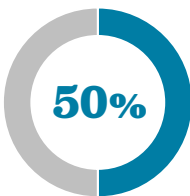
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Current Allocation Methodology: Three Factor Approach

INSTITUTIONAL COMPLEXITY

Allocated by share of All Funds Formula Appropriations:

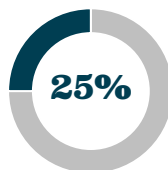
- Instruction and Operations and Infrastructure Formulas for the General Academic Institutions (GAIs) and State Colleges
- Instruction and Operations, Infrastructure, Graduate Medical Education, and Research Enhancement Formulas for Health Related Institutions (HRIs)



SPACE DEFICIT

Allocated by share of Space Deficit:

- Derived from Space Projection Model where Actual Space is compared to Projected Space Need
- Institutions with a surplus receive zero for this metric



FACILITIES CONDITION

Allocated by share of Educational and General (E&G) Building Replacement Estimate:

- Provides an overall estimate of the campus' E&G buildings replacement cost

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Note: These allocations occur after the constitutionally required allocation of 2.2% of total HEF amounts to the Texas State Technical College System.

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Higher Education Fund - Deferred Maintenance Study

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Higher Education Fund: Deferred Maintenance Study



Deferred Maintenance

- Deferred maintenance needs at the HEF institutions has **grown by 112%** over the past 5 years



Expenditures on Deferred Maintenance

- HEF appropriated amounts have remained static over the same period of time. HEF expenditures on deferred maintenance **dropped from covering 8% to 4% of deferred maintenance need**
- Overall, institutional expenditures on deferred maintenance has **increased by 40%**



HEF as a Funding Source

- **HEF expenditures represent approximately half** of institutional expenditures on deferred maintenance, indicating it is a critical source of funding

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Higher Education Fund - Study Committee Recommendations

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Recommendations: Investment During the Decennial Review Based on Data Analysis

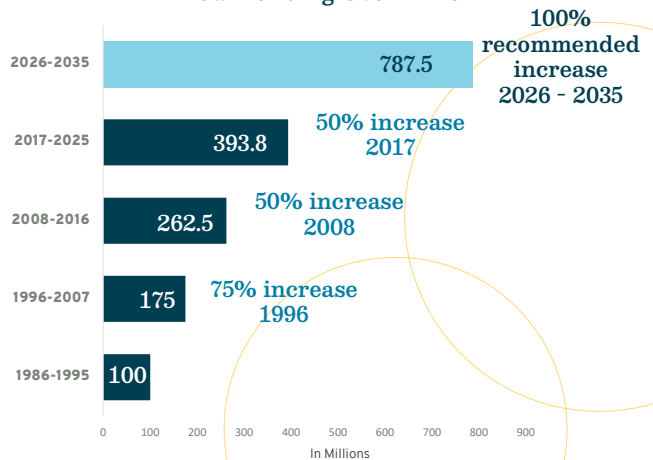
Reduced purchasing power due to **inflation**



Increase in **students served**

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HEF Annual Funding Over Time



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Recommendations: Allocation Methodology

NEW Facilities Supplement, PENDING INCREASED FUNDING for HEF

Supplement of up to \$2.0 Million for each eligible IHE with less than 5,000 student headcount. Proportionally phase out from 5,000 - 20,000 students.

INSTITUTIONAL COMPLEXITY

Share of All Funds Formula Appropriations:



- **GAIs:** Instruction & Operations (I&O) and Infrastructure Formulas, **Comprehensive Regional University Funds, and Research Funds**
- **State Colleges:** I&O and Infrastructure Formulas
- **HRIs:** I&O, Infrastructure, Graduate Medical Education, Research Enhancement Formulas, **and earned performance funding for mission specific formulas**



SPACE DEFICIT

Share of Space Deficit:

- Actual Educational and General (E&G) Space is compared to Projected Space Need



FACILITIES CONDITION

Share of **Actual E&G Square Feet**

- **Replaces use of Building Replacement Estimate**



Note: These allocations occur after the constitutionally required allocation of 2.2% of total HEF amounts to the Texas State Technical College System.

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Questions?



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