Sec. 61.059. APPROPRIATIONS. (a) To finance a system of higher education and to secure an equitable distribution of state funds deemed to be available for higher education, the board shall perform the functions described in this section. Funding policies shall:

(1) allocate resources efficiently and provide incentives for programs of superior quality and for institutional diversity;

(2) provide incentives for supporting the five-year master plan developed and revised under Section 61.051; and

(3) discourage unnecessary duplication of course offerings between institutions and unnecessary construction on any campus.

(b) The board shall devise, establish, and periodically review and revise formulas for the use of the governor and the Legislative Budget Board in making appropriations recommendations to the legislature for all institutions of higher education, including the funding of postsecondary vocational-technical programs. As a specific element of the periodic review, the board shall study and recommend changes in the funding formulas based on the role and mission statements of institutions of higher education. In carrying out its duties under this section, the board shall employ an ongoing process of committee review and expert testimony and analysis.

(c) Formulas for basic funding shall reflect the role and mission of each institution, shall emphasize funding elements that directly support faculty, and shall reflect both fixed and variable elements of cost.

(d) Not later than June 1 of every even-numbered calendar year, the board shall notify the governing boards
and the chief administrative officers of the respective institutions of higher education and university systems, the governor, and the Legislative Budget Board of the formulas designated by the board to be used by the institutions in making appropriation requests for the next succeeding biennium and shall certify to the governor and the Legislative Budget Board that each institution has prepared its appropriation request in accordance with the designated formulas and in accordance with the uniform system of reporting provided in this chapter. The board shall furnish any other assistance to the governor and the Legislative Budget Board in the development of appropriations recommendations as either or both of them may request. However, nothing in this chapter shall prevent or prohibit the governor, the Legislative Budget Board, the board, or the governing board of any institution of higher education from requesting or recommending deviations from any applicable formula or formulas prescribed by the board and advancing reasons and arguments in support of them.

e) The board shall present to the governor and to each legislature a comprehensive summary and analysis of institutional appropriation requests, and for that purpose each institution's request must be submitted to the board at the same time at which the request is submitted to the Legislative Budget Board. Nothing in this subsection shall be construed as supplanting the duty, responsibility, and authority of an institution of higher education or the governing board thereof to express its appropriative needs directly to the legislature or any committee thereof.

(f) The board shall recommend to the governor and the Legislative Budget Board supplemental contingent appropriations to provide for increases in enrollment at
the institutions of higher education. Contingent appropriations may be made directly to the institutions or to the board, as the legislature may direct in each biennial appropriations act. In the event the contingent appropriation is made to the board, the funds shall be allocated and distributed by the board to the institutions as it may determine, subject only to such limitations or conditions as the legislature may prescribe.

(g) The board shall recommend to the institutions, the governor, and the Legislative Budget Board tuition policies for public technical institutes, public junior colleges, public senior colleges and universities, medical and dental units, and other agencies of higher education and vocational and technical programs receiving support from state funds.

(h) The board shall distribute funds appropriated to the board for allocation for specified purposes under limitations prescribed by law and the rules and regulations of the board in conformity therewith, provided that no distribution or allocation may be made to any institution of higher education which has failed or refused to comply with any order of the board as long as that failure or refusal continues.

(i) The board shall make continuing studies on its own initiative, on the request of the governor or the Legislative Budget Board, and as otherwise provided by Subsection (i-1) of the financial needs of public higher education and all services and activities of the institutions of higher education and issue reports to the governor and the Legislative Budget Board that result from its studies.

(i-1) Not later than January 1 of each odd-numbered
year, the board shall make and submit to the legislature findings and recommendations regarding the degree to which the current higher education funding system, including formula funding and any other transfers of legislative appropriations to institutions of higher education, supports the implementation of the five-year master plan developed and revised under Section 61.051. The board may include its findings and recommendations in the biennial report submitted to the legislature under Section 61.051. In its findings, the board must:

(1) identify funding incentives that would encourage implementation of the five-year master plan by institutions of higher education; and

(2) assess the accountability of institutions of higher education with respect to legislative appropriations to evaluate institutional allocation of financial resources in accordance with the five-year master plan.

(j) Funds appropriated to the coordinating board for vocational-technical education may be transferred by interagency contract between the two boards as required to carry out an effective and efficient transition of the administration of postsecondary vocational-technical education.

(k) The legislature shall promote flexibility in the use of funds appropriated to institutions of higher education by:

(1) appropriating base funding as a single amount that is unrestricted to use among the various funding elements of the formula used to determine base funding; and

(2) appropriating to institutions the unexpended
balance of appropriations made for the preceding fiscal year.

(1) Except as provided by Subdivision (2), the board may not include in any formula under this section funding based on the number of doctoral students who have a total of 100 or more semester credit hours of doctoral work at an institution of higher education.

(2) Notwithstanding Subdivision (1), the board may approve formula funding for semester credit hours in excess of 100, not to exceed 130 total semester credit hours, for a doctoral student if the institution:

(A) provides the board with substantial evidence that the particular field of study in which the student is enrolled requires a higher number of semester credit hours to maintain nationally competitive standards;

(B) provides the board with evidence that the student's program or research is likely to provide substantial benefit to medical or scientific advancement and that the program or research requires the additional semester credit hours; or

(C) provides the board with other compelling academic reasons that support the finding of an exception.

(3) The board shall report to the Legislative Budget Board, as part of its report on formula funding recommendations, a listing of the exceptions approved under Subdivision (2) and the associated costs in formula-based funding.

(m) For an institution that charges a reduced nonresident tuition rate under Section 54.0601, the board
may not include in a formula under this section funding based on the number of nonresident students enrolled at the institution in excess of 10 percent of the total number of students enrolled at the institution.