

BILL ANALYSIS

Senate Research Center

H.B. 1839
By: Junell (Ellis)
Finance
5/8/2001
Engrossed

DIGEST AND PURPOSE

The economic future of Texas depends on the state's ability to remain at the forefront of scientific and technological innovation. Texas is favorably located and has the infrastructure needed to facilitate growth in the high-tech industry. Texas is positioned to meet the technological challenges of the next century. Currently, Texas ranks second in the nation in the total number of high-tech jobs and first in the number of new jobs created since 1990. There are 772,000 high-tech employees in Texas, approximately 11 percent of the state's workforce.

Texas companies will be able to lead in national and world markets only if there is continuing development of the research base. Universities can comprise a major part of the research base. Through university research, new technologies are developed and commercialized which can create a considerable economic advantage for the state. Investments in research and development can have a considerable rate of return. H.B. 1839 creates the Texas excellence fund and the university research fund to support and maintain educational and general activities, including research and student services, that promote increased research capacity and develop institutional excellence.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 62, Education Code, by adding Subchapter C, as follows:

SUBCHAPTER C. TEXAS EXCELLENCE FUND

Sec. 62.051. **PURPOSE.** Provides findings of purpose.

Sec. 62.052. **DEFINITIONS.** Defines "eligible comprehensive research university," and "eligible general academic teaching institution."

Sec. 62.053. **ADMINISTRATION.** Provides that the Texas excellence fund is a fund outside the state treasury in the custody of the comptroller. Requires the comptroller to administer and invest the Texas excellence fund.

Sec. 62.054. **FUNDING.** Sets forth guidelines regarding the composition of the fund and the use of money appropriated from the fund.

Sec. 62.055. **APPROPRIATION AND ALLOCATION OF FUND TO ELIGIBLE INSTITUTIONS.** (a) Authorizes the legislature, in each state fiscal year, to appropriate all or part of the money in the Texas excellence fund to eligible comprehensive research universities and other eligible general academic teaching institutions according to certain percentages.

(b) Provides that Subsection (a) does not apply to the allocation of money appropriated from the Texas excellence fund for the state fiscal biennium ending August 31, 2003. Provides that, for each fiscal year in the state fiscal biennium ending August 31, 2003, the money appropriated from the fund is allocated among the eligible general academic teaching institutions, including eligible comprehensive research universities, as provided by the General Appropriations Act. Provides that this subsection expires January 1, 2004.

SECTION 2. Amends Section 62.025, Education Code, by amending Subsections (a) and (c) and adding Subsection (d), as follows:

(a) Requires the comptroller, not later than November 1 of each state fiscal year, to deposit the first \$50 million that comes to the state at the beginning of each state fiscal year and that is not dedicated by other law according to a certain guidelines.

(c) Provides that the deposit required by this section to the higher education fund expires on September 1 after the date the comptroller certifies that the value of the higher education fund is \$2 billion. Requires the comptroller, in each state fiscal year that begins on or after that date, to deposit to the credit of the Texas excellence fund established under Subchapter C from the first money that comes to the state at the beginning of that fiscal year an amount equal to the income earned from investment of the higher education fund in the preceding state fiscal year as certified by the comptroller, not to exceed \$50 million.

(d) Prohibits the deposit to the Texas excellence fund under Subsection (a)(1) or Subsection (c) from being made in any state fiscal year for which the legislature has made an appropriation specifically for the purposes of the Texas excellence fund in an amount equal to or greater than the amount provided by Subsection (a)(1) or (c), as applicable to that state fiscal year.

SECTION 3. Amends Sections 62.026(b) and (d), Education Code, as follows:

(b) Provides that the fund consists of the amount (rather than \$50 million) deposited in the fund each state fiscal year under Section 62.025 and interest, dividends, and other income earned from the investment of the fund.

(d) Requires the comptroller, in consultation with the presiding officers of the governing boards of the institutions eligible to benefit from the investment of the fund under Section 17, Article VII, Texas Constitution, to invest the fund in a manner that maximizes the total return of the fund.

SECTION 4. Amends Chapter 62, Education Code, by adding Subchapter D, as follows:

**SUBCHAPTER D. UNIVERSITY RESEARCH FUND FOR CERTAIN
PERMANENT UNIVERSITY FUND INSTITUTIONS**

Sec. 62.071. **PURPOSE.** Provides that the university research fund is established to provide funding to promote increased research capacity and to develop institutional excellence at eligible general academic teaching institutions.

Sec. 62.072. **DEFINITIONS.** Defines “eligible general academic teaching institution,” “eligible doctoral and research university” and “eligible emerging doctoral and research university.”

Sec. 62.073. **ADMINISTRATION.** Provides that the university research fund is a fund

outside the state treasury in the custody of the comptroller. Requires the comptroller to administer and invest the university research fund.

Sec. 62.074. FUNDING. Sets forth guidelines regarding the composition of the fund and the use of money appropriated from the fund.

Sec. 62.075. ALLOCATION TO ELIGIBLE INSTITUTIONS. Authorizes the comptroller, in each state fiscal year, to distribute the total amount of all assets in the university research fund according to certain guidelines.

Sec. 62.0751. ALLOCATION TO ELIGIBLE INSTITUTIONS FOR 2002-2003 FISCAL BIENNIUM. Provides that Section 62.075 does not apply to the distribution of the total amount of all assets in the university research fund in the state fiscal biennium ending August 31, 2003. Requires the comptroller, in each state fiscal year of that biennium, to distribute the total amount of all assets in the university research fund as soon as practicable according to certain guidelines. Provides that this section expires January 1, 2004.

Sec. 62.076. VERIFICATION OF ALLOCATION FACTORS. (a) Requires the coordinating board, for purposes of this subchapter, to establish standards and accounting methods for determining the amount of restricted research funds expended by an eligible general academic teaching institution in a state fiscal year.

(b) Requires the coordinating board, as soon as practicable in each state fiscal year, to provide the comptroller with verified information relating to the amounts of restricted research funds expended and degrees awarded by eligible general academic teaching institutions as necessary to determine the allocations under this subchapter for that fiscal year.

(c) Authorizes the coordinating board to audit the appropriate records of an eligible general academic teaching institution to verify information for purposes of this subchapter.

SECTION 5. Effective date: September 1, 2001.