

BILL ANALYSIS

Senate Research Center
77R5184 KSD-D

C.S.S.B. 737
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Finance
3/21/2001
Committee Report (Substituted)

DIGEST AND PURPOSE

Currently, Texas ranks second in the nation in the total number of high-tech jobs and first in terms of jobs created since 1990. Important to these high-tech industries is scientific research in which new technologies are developed and commercialized and spin-off companies are formed. There is a need to expand upon the current research taking place at major research universities such as the University of Texas at Austin and Texas A&M University. C.S.S.B. 737 creates the Texas Excellence Fund to promote increased research capacity and to develop institutional excellence at universities participating in the Higher Education Fund.

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.** Establishes the Texas excellence fund (fund) to provide funding to promote increased research capacity and to develop institutional excellence at eligible general academic teaching institutions in order to ensure that Texas and its workforce remain at the forefront of scientific and technological innovation.

Sec. 62.052. **DEFINITIONS.** Defines “eligible comprehensive research university” and “eligible general academic teaching institution.”

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

Sec. 62.054. **FUNDING.** (a) Authorizes the legislature to appropriate or provide for the transfer of any available money to the credit of the fund.

(b) Requires the comptroller to deposit all interest, dividends, and other income earned from investment of the fund to the credit of the fund.

(c) Authorizes the comptroller to accept gifts or grants from any public or private source for the fund.

(d) Authorizes an institution to use money appropriated from the fund only for the support and maintenance of educational and general activities, including research and student services, that promote increased research capacity and develop institutional excellence at the institution.

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 fund to eligible comprehensive research universities and other eligible general academic teaching institutions in a specified manner.

(b) Provides that Subsection (a) does not apply to the allocation of money appropriated from the 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 Sections 62.025, Education Code, by amending Subsections (a) and (c) and adding Subsection (d), as follows:

(a) Adds language to set forth the manner in which the comptroller is required 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.

(c) Adds language to specify that the deposit required by this section be made to the higher education fund. Requires the comptroller, in each state fiscal year that begins on or after the date the higher education fund reaches a value of \$2 billion, to deposit to the credit of the 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 income earned from investment of the higher education fund in the preceding state fiscal year as certified by the comptroller.

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

(b) Changes reference of “\$50 million” to “amount.”

(d) Adds language to require the comptroller, in consultation with the presiding officers of the governing boards of the institutions eligible to benefit from the income from the investment of the fund under Section 17, Article VII, Texas Constitution, to invest the fund in a manner that maximizes the amount of income earned and gains realized from the investment of the fund.

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

SUBCHAPTER D. EXCELLENCE FUNDING FOR CERTAIN PERMANENT UNIVERSITY FUND INSTITUTIONS

Sec. 62.071. DEFINITIONS. Defines “comprehensive research university,” “eligible institution,” and “general academic teaching institution.”

Sec. 62.072. FUNDING. (a) Requires that in each state fiscal biennium, \$8,550,000 in general revenue be distributed to eligible institutions in accordance with this section.

(b) Requires that for the state fiscal biennium (biennium) ending August 31, 2003, the total amount to be distributed under this section be apportioned between The University of Texas System and The Texas A&M University System based on the total amount of

capital equity funds included in the “capital equity and excellence funding” appropriated to the eligible institutions in each system by Chapter 1589, Acts of the 76th Legislature, Regular Session, 1999 (the General Appropriations Act), for the biennium ending August 31, 2001. Requires the total amount to be distributed under this section in each subsequent biennium to be apportioned between The University of Texas System and The Texas A&M University System based on the amount apportioned between the systems under this subsection in the preceding biennium.

(c) Sets forth provisions for the allocation of the amount apportioned to each system under Subsection (b) among the eligible institutions.

(d) Authorizes money received by an institution under this section to be used only for the support and maintenance of educational and general activities, including research and student services, that promote increased research capacity and develop institutional excellence at the institution.

SECTION 5. (a) Sets forth the provisions for the amount of money to be allocated for the state fiscal biennium ending August 31, 2003, and for subsequent biennia.

(b) Sets forth provisions for the amount of the general revenue to be apportioned to The University of Texas System and The Texas A&M University System for the state fiscal biennium ending August 31, 2003, and provides that this subsection expires August 31, 2003.

SECTION 6. Provides that for the state fiscal biennium ending August 31, 2003, funds appropriated under Section 62.072, Education Code, as added by this Act, and under Subsections (a) and (b), SECTION 5, of this Act, are to be allocated from existing funds included in the “capital equity and excellence funding” appropriated to eligible institutions in Senate Bill 1, 77th Legislature, Regular Session, as introduced.

SECTION 7. Effective date: September 1, 2001.

SUMMARY OF COMMITTEE CHANGES

Differs from original in SECTION 2 by adding Section 62.025(d), Education Code, to prohibit 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 income earned from investment of the higher education fund in the preceding state fiscal year as certified by the comptroller. Also adds an exception as provided by Subsection (d) to Subsection (a).

Differs from original by adding a new SECTION 4 that adds Chapter 62D to the Education Code. Chapter 62D sets forth provisions for excellence funding for certain permanent university fund institutions including provisions for distribution of funds between The University of Texas System and The Texas A&M University System as well as provisions regarding the amount apportioned to each system.

Differs from original by adding SECTION 5 to set forth the provisions for the amount of money to be allocated for the state fiscal biennium ending August 31, 2003, and for subsequent biennia and set forth provisions for the amount of the general revenue to be apportioned to The University of Texas System and The Texas A&M University System for the state fiscal biennium ending August 31, 2003, and provide that this subsection expires August 31, 2003.

Differs from original by adding SECTION 6 to provide that for the state fiscal biennium ending August 31, 2003, funds appropriated under Section 62.072, Education Code, as added by this Act, and under

Subsections (a) and (b), SECTION 5, of this Act, are to be allocated from existing funds included in the “capital equity and excellence funding” appropriated to eligible institutions in Senate Bill 1, 77th Legislature, Regular Session, as introduced.

Differs from original by redesignating original SECTION 4 as SECTION 7.