

BILL ANALYSIS

Senate Research Center
78R7122 KSD-D

H.B. 3526
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Finance
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Engrossed

DIGEST AND PURPOSE

Currently, the Texas Excellence Fund and the University Research Fund allocate equal amounts of money under two separate methodologies. These funds, created by the 77th Texas Legislature, are for institutions of higher education that do not receive excellence funding from the Permanent Education Fund. H.B. 3526 abolishes the Texas Excellence Fund and the University Research Fund and creates the research development fund with a single distribution methodology. This bill also provides for a transition period.

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 the heading to Chapter 62, Education Code, to read as follows:

CHAPTER 62. DIVISION OF CONSTITUTIONALLY APPROPRIATED FUNDS AMONG
CERTAIN INSTITUTIONS OF HIGHER EDUCATION; RESEARCH DEVELOPMENT
FUND

SECTION 2. Amends Chapter 62, Education Code, by adding Subchapter E, as follows:

SUBCHAPTER E. RESEARCH DEVELOPMENT FUND

Sec. 62.091. **PURPOSE.** Provides that the research development fund (fund) is established to provide funding to promote increased research capacity at eligible general academic teaching institutions.

Sec. 62.092. **DEFINITIONS.** Defines “coordinating board” and “eligible institution.”

Sec. 62.093. **ADMINISTRATION.** (a) Provides that the fund is a fund outside the state treasury in the custody of the comptroller of public accounts (comptroller).

(b) Requires the comptroller to administer and invest the fund.

Sec. 62.094. **FUNDING.** (a) Provides that the fund consists of certain amounts deposited, appropriated, or transferred to the credit of the fund.

(b) Authorizes the legislature, in each state fiscal year, to appropriate or provide for the transfer to the credit of the fund of a certain amount.

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

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

Sec. 62.095. **APPORTIONMENT OF FUND TO ELIGIBLE INSTITUTIONS.** (a)

Requires the comptroller, in each state fiscal year, to distribute the total amount of all assets in the fund to eligible institutions. Requires the amount to be apportioned among the eligible institutions based on the average amount of registered research funds expended by each institution per year for the three preceding state fiscal years.

(b) Provides that for purposes of Subsection (a), the amount of restricted research funds expended by an institution in a fiscal year is the amount of those funds as reported to the Texas Higher Education Coordinating Board (THECB) by the institution for that fiscal year, subject to any adjustment by THECB in accordance with the standards and accounting methods THECB prescribes under Section 62.096.

Sec. 62.0951. APPORTIONMENT OF FUND IN 2006-2007 FISCAL BIENNIUM. (a) Provides that this section applies to the apportionment of the fund in each state fiscal year of the state fiscal biennium ending August 31, 2007.

(b) Requires the comptroller to increase the amount apportioned to that institution from the fund to an amount equal to 50 percent of the amount distributed to the institution from the university research fund in the state fiscal year ending August 31, 2005, in a state fiscal year to which this section applies, if under the apportionment method prescribed by Section 62.095 an eligible institution that received money from the university research fund in the state fiscal year ending August 31, 2005, would be entitled to receive from the fund an amount that is less than [sic] 50 percent of the amount distributed to the institution from the university research fund in the state fiscal year ending August 31, 2005.

(c) Requires the comptroller, after apportioning the amount prescribed by Subsection (b) to each eligible institution to which Subsection (b) applies, to apportion the remaining amount to be distributed from the fund in that fiscal year to the remaining eligible institutions in proportion to the amounts the institutions would be entitled to receive in that fiscal year under the apportionment method prescribed by Section 62.095.

(d) Provides that this section expires January 1, 2008.

Sec. 62.096. VERIFICATION OF ALLOCATION FACTORS. (a) Requires THECB, for purposes of this subchapter, to prescribe standards and accounting methods for determining the amount of restricted research funds expended by an eligible institution in a state fiscal year.

(b) Requires THECB, 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 by eligible institutions as necessary to determine the apportionment of the fund under this subchapter for that fiscal year.

(c) Authorizes THECB to audit the appropriate records of an eligible institution to verify information for purposes of this subchapter.

Sec. 62.097. USE OF ALLOCATED AMOUNTS. (a) Authorizes an eligible institution to use money received from the fund only for the support and maintenance of educational and general activities, including research and student services, that promote increased research capacity at the institution.

(b) Authorizes money received by an institution from the fund in a fiscal year that is not used by the institution in that fiscal year to be held and used by the institution in subsequent fiscal years.

Sec. 62.098. ANNUAL REPORT. (a) Requires each eligible institution that receives money under this subchapter in a state fiscal year to prepare a report at the end of that

fiscal year describing the manner in which the institution used the money. Requires the institution to include in the report information regarding the use of money spent in that fiscal year that was received under this subchapter in a preceding fiscal year.

(b) Requires the institution the institution to deliver a copy of the report to THECB and the Legislative Budget Board (LBB) not later than December 1 after the end of the fiscal year. Authorizes LBB to establish requirements for the form and content of the report.

(c) Requires the institution to include in the report information on the use or other disposition of money the institution preciously received from the Texas excellence fund or the university research fund, if the institution spent money from either of those funds in the fiscal year of the report.

SECTION 3. Amends Sections 62.025(a), (c), and (e), Education Code, 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 certain laws, in a certain manner, including a deposit to the fund under Subchapter E.

(c) Requires the comptroller, in each state fiscal year that begins on or after a certain date, to deposit to the credit of the fund established under Subchapter E, rather than 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, not to exceed \$50 million, equal to a certain portion of the total return on all investment assets of the higher education fund in the preceding state fiscal year computed by a certain equation.

(e) Makes conforming changes.

SECTION 4. Repealer: Section 62.025(d), Education Code, and Subchapters C (Texas Excellence Fund) and D (University Research Fund for Certain Permanent University Fund Institutions), Chapter 62, Education Code.

SECTION 5. (a) Requires the first distribution of money from the fund established by this Act to be made in the state fiscal year beginning September 1, 2005.

(b) Requires any amount remaining in or payable to the credit of the Texas excellence fund or the university research fund to be transferred to the credit of the fund established by this Act, on and after the effective date of this Act.

SECTION 6. Effective date: September 1, 2005.