

BILL ANALYSIS

Senate Research Center
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S.B. 1365
By: Ellis et al.
Higher Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1365 proposes that Texas follows the model for all major university funding by basing the distribution on a formula-based system. Formulas based on performance or other appropriate and measurable data are used for Research Development Fund (RDF), Competitive Knowledge Fund, Higher Education Assistance Fund, Texas Research Incentive Program, and core university funding.

It would be a simple matter to model the National Research University Fund (NRUF) on time-tested methodology used in distribution of the RDF, which is based upon a three-year rolling average of restricted research expenditures. This is data that is already collected and scrutinized.

This legislation establishes a minimum appropriation per university of \$2,500,000 (approximately one-tenth of the predicted income available for distribution in fiscal year 2012) for any university that does not generate at least that much through the formula above. The minimum would be provided first and the remaining funds would be distributed proportionately to remaining universities.

Finally, this legislation provides that NRUF funding be distributed in the same manner as the other 11 funds professionally managed by the comptroller of public accounts.

As proposed, S.B. 1365 amends current law relating to the distribution of money appropriated from the national research university fund.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Texas Higher Education Coordinating Board is modified in SECTION 1 (Section 62.146, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 62.146, Education Code, as follows:

Sec. 62.146. ACCOUNTING STANDARDS; VERIFICATION OF INFORMATION.

(a) Requires the Texas Higher Education Coordinating Board (THECB) by rule to prescribe standard methods of accounting and standard methods of reporting information for the purpose of determining:

(1) the eligibility of institutions under Section 62.145 (Eligibility to Receive Distributions from Fund); and

(2) 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 even-numbered year, based on information submitted by the institutions to THECB as required by THECB, to certify to the legislature verified information relating to the criteria established by Section 62.145 to be used to determine which institutions are eligible, rather than initially eligible, for distributions of money from the fund.

(c) Requires THECB, as soon as practicable after January 1 of each year, to provide the comptroller of public accounts (comptroller) with verified information relating to the amounts of restricted research funds expended by eligible institutions as necessary to determine the distributions of money from the fund under Section 62.148 for that fiscal year.

(d) Creates this subsection from existing text. Provides that information submitted to THECB by institutions for purposes of this subchapter and THECB's certification or verification of that information under this section, rather than this subsection, are subject to audit by the state auditor in accordance with Chapter 321 (State Auditor), Government Code.

SECTION 2. Amends Section 62.148, Education Code, as follows:

Sec. 62.148. New heading: DISTRIBUTION OF APPROPRIATED FUNDS TO ELIGIBLE INSTITUTIONS. (a) Creates this subsection from existing text. Requires the comptroller, in each state fiscal year, to distribute to eligible institutions the total amount of money appropriated from the fund for that fiscal year, except as provided by Subsection (d).

(b) Requires that the total amount of money appropriated from the fund for a state fiscal year, subject to Subsection (c), be distributed among the eligible institutions in proportion to the average amount of restricted research funds expended by each institution each year for the three preceding state fiscal years.

(c) Requires the comptroller, if in calculating distributions for a state fiscal year under Subsection (b), the comptroller determines that one or more eligible institutions will not receive a distribution of at least \$2.5 million for that fiscal year and, if sufficient funds are available for the purpose, to distribute the appropriated money as follows:

(1) \$2.5 million to each eligible institution, regardless of the amount the institution would otherwise have received under Subsection (b); and

(2) any remaining amount to the eligible institutions that would have received a distribution under Subsection (b) of at least \$2.5 million for that fiscal year, in proportion to the average amount of restricted research funds used to calculate distributions to the institutions under Subsection (b).

(d) Requires the comptroller, if in any state fiscal year the comptroller makes the determination described by Subsection (c) but sufficient funds are not available to make the full amount of each distribution required by Subsection (c)(1), to retain within the fund all amounts appropriated from the fund for that fiscal year. Prohibits eligible institutions from receiving a distribution of money for that state fiscal year, and provides that the appropriation lapses at the end of that fiscal year.

(e) Provides that for purposes of Subsection (b), the amount of restricted research funds expended by an institution in a state fiscal year is the amount of those funds as reported to THECB by the institution for that fiscal year, subject to any adjustment by THECB in accordance with the standard accounting methods THECB prescribes under Section 62.146(a). Deletes existing text requiring that the amount be allocated to the eligible institutions based on an equitable formula adopted by the legislature to carry out the purposes of the fund as established by Section 20 (National Research University Fund), Article VII, Texas Constitution. Deletes existing text authorizing the legislature, in adopting the allocation formula, to consider the recommendations of THECB, including recommendations on the appropriate elements and relative weights of elements of the formula.

SECTION 3. Effective date: upon passage or September 1, 2011.