

## **BILL ANALYSIS**

H.B. 3526  
By: Hamric  
Higher Education  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Recognizing the need for Texas to develop and support more nationally competitive public research universities, the 77<sup>th</sup> Legislature established two special funds for institutions of higher education that do not receive excellence funding from the Permanent University Fund. The Texas Excellence Fund (supporting universities in the Higher Education Fund (HEF)) and the University Research Fund (supporting universities in the Permanent University Fund (PUF)) allocate equal amounts of money under two separate methodologies. In the current biennium, each fund is appropriated \$33.8 million. Having two separate funds creates a disparity in the way the funds are allocated: HEF institutional enrollments are three times greater than PUF institutions, which means that PUF schools receive three times more funding per student (\$396.00 vs. \$138.00). Moreover, HEF schools earn twice as much competitive research funding, yet PUF schools receive funding equivalent to an average of nearly 70 percent of their research compared to only 40 percent for HEF schools. Schools generating relatively little or no external research funding receive a minimum \$500,000.00 in the PUF-related fund; yet, some schools in the HEF-related fund receive no funding. Under current law, these funds are scheduled to sunset on August 31, 2005.

House Bill 3526 abolishes two separate funds established by the 77<sup>th</sup> Legislature and creates a single fund with a single distribution methodology; and, HB 3526 provides for a transition period to limit drastic reallocations. Allocations for 2004-2005 biennium will not be affected by this legislation.

### **RULEMAKING AUTHORITY**

While the bill requires the coordinating board to prescribe standards and accounting methods to determine the amount of restricted research funds expended by institutions, it is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

HB 3526 amends Chapter 62, Education Code, to combine the Higher Education Fund and the University Research Fund, and renames the combined fund the Research Development Fund. The bill provides that the fund is established to promote increased research capacity at eligible institutions of higher education, and that the fund is to be administered by the comptroller. The bill provides for appropriation to the fund and authorizes gifts and grants to the fund. The bill provides for the apportionment of the fund based on average amount of restricted research funds expended by each institution per year for the three preceding fiscal years. The bill provides for partial hold harmless funding for the transition period, fiscal year 2006-2007. HB 3526 requires the coordinating board to prescribe standards and accounting methods for determining the amount of expended external research funds by universities; requires the board to provide the comptroller with verified information on the expenditure of such funds; and authorizes the board to audit appropriate records for compliance.

HB 3526 provides that the research development funds may be expended only for the support and maintenance of educational and general activities, including research and student services, that promote

increased research capacity at the institution. The bill provides that unexpended balances may be carried forward to the next fiscal year.

HB 3526 requires that institutions receiving money from this fund shall prepare an annual report describing how the funds are expended. The bill provides for the distribution of the report.

HB 3526 provides that the first distribution of the research development fund shall be made in the fiscal year beginning September 1, 2005; provides for the transfer of funds from the Texas Excellence Fund and the University Research Fund to the research development fund on that date.

**EFFECTIVE DATE**

This Act takes effect September 1, 2003.