

AN ACT

relating to the establishment of the research development fund to promote research at certain institutions of higher education and to the abolition of the Texas excellence fund and the university research fund.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. The heading to Chapter 62, Education Code, is amended to read as follows:

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

SECTION 2. Chapter 62, Education Code, is amended by adding Subchapter E to read as follows:

SUBCHAPTER E. RESEARCH DEVELOPMENT FUND

Sec. 62.091. PURPOSE. The research development fund is established to provide funding to promote increased research capacity at eligible general academic teaching institutions.

Sec. 62.092. DEFINITIONS. In this subchapter:

(1) "Coordinating board" means the Texas Higher Education Coordinating Board.

(2) "Eligible institution" means a general academic teaching institution, as defined by Section 61.003, other than The University of Texas at Austin, Texas A&M University, or Prairie View A&M University.

1 Sec. 62.093. ADMINISTRATION. (a) The research development
2 fund is a fund outside the state treasury in the custody of the
3 comptroller.

4 (b) The comptroller shall administer and invest the
5 research development fund.

6 Sec. 62.094. FUNDING. (a) The research development fund
7 consists of the amount deposited to the credit of the fund under
8 Section 62.025 in each state fiscal year, the amount appropriated
9 or transferred to the credit of the fund by the legislature under
10 Subsection (b), and any other amounts transferred to the fund under
11 this section.

12 (b) In each state fiscal year, the legislature may
13 appropriate or provide for the transfer to the credit of the
14 research development fund of an amount not less than the amount
15 deposited to the credit of the fund under Section 62.025 in that
16 fiscal year.

17 (c) The comptroller shall deposit all interest, dividends,
18 and other income earned from investment of the research development
19 fund to the credit of the fund.

20 (d) The comptroller may accept gifts or grants from any
21 public or private source for the research development fund.

22 Sec. 62.095. APPORTIONMENT OF FUND TO ELIGIBLE
23 INSTITUTIONS. (a) In each state fiscal year, the comptroller shall
24 distribute the total amount of all assets in the research
25 development fund to eligible institutions. The amount shall be
26 apportioned among the eligible institutions based on the average
27 amount of restricted research funds expended by each institution

1 per year for the three preceding state fiscal years.

2 (b) For purposes of Subsection (a), the amount of restricted
3 research funds expended by an institution in a fiscal year is the
4 amount of those funds as reported to the coordinating board by the
5 institution for that fiscal year, subject to any adjustment by the
6 coordinating board in accordance with the standards and accounting
7 methods the coordinating board prescribes under Section 62.096.

8 Sec. 62.0951. APPORTIONMENT OF FUND IN 2006-2007 FISCAL
9 BIENNIUM. (a) This section applies to the apportionment of the
10 research development fund in each state fiscal year of the state
11 fiscal biennium ending August 31, 2007.

12 (b) In a state fiscal year to which this section applies, if
13 under the apportionment method prescribed by Section 62.095 an
14 eligible institution that received money from the university
15 research fund in the state fiscal year ending August 31, 2005, would
16 be entitled to receive from the research development fund an amount
17 that is less than 50 percent of the amount distributed to the
18 institution from the university research fund in the state fiscal
19 year ending August 31, 2005, the comptroller shall increase the
20 amount apportioned to that institution from the research
21 development fund to an amount equal to 50 percent of the amount
22 distributed to the institution from the university research fund in
23 the state fiscal year ending August 31, 2005.

24 (c) After apportioning the amount prescribed by Subsection
25 (b) to each eligible institution to which Subsection (b) applies,
26 the comptroller shall apportion the remaining amount to be
27 distributed from the research development fund in that fiscal year

1 to the remaining eligible institutions in proportion to the amounts
2 the institutions would be entitled to receive in that fiscal year
3 under the apportionment method prescribed by Section 62.095.

4 (d) This section expires January 1, 2008.

5 Sec. 62.096. VERIFICATION OF ALLOCATION FACTORS. (a) For
6 purposes of this subchapter, the coordinating board shall prescribe
7 standards and accounting methods for determining the amount of
8 restricted research funds expended by an eligible institution in a
9 state fiscal year.

10 (b) The coordinating board shall convene a committee
11 comprised of persons designated by the presidents of eligible
12 institutions to approve the allocations standards and accounting
13 methods established by the coordinating board by October 1, 2003.

14 (c) The coordinating board, as soon as practicable in each
15 state fiscal year no later than November 1, shall provide the
16 comptroller with verified information relating to the amounts of
17 restricted research funds expended by eligible institutions as
18 necessary to determine the apportionment of the research
19 development fund under this subchapter for that fiscal year.

20 (d) The coordinating board may audit the appropriate
21 records of an eligible institution to verify information for
22 purposes of this subchapter.

23 (e) An eligible institution may appeal the coordinating
24 board's decision regarding the institution's verified information
25 relating to the amounts of restricted research expended to the
26 advisory committee for final determination of eligibility.

27 Sec. 62.097. USE OF ALLOCATED AMOUNTS. (a) An eligible

1 institution may use money received from the research development
2 fund only for the support and maintenance of educational and
3 general activities, including research and student services, that
4 promote increased research capacity at the institution.

5 (b) Money received by an institution from the research
6 development fund in a fiscal year that is not used by the
7 institution in that fiscal year may be held and used by the
8 institution in subsequent fiscal years.

9 Sec. 62.098. ANNUAL REPORT. (a) Each eligible institution
10 that receives money under this subchapter in a state fiscal year
11 shall prepare a report at the end of that fiscal year describing the
12 manner in which the institution used the money. The institution
13 shall include in the report information regarding the use of money
14 spent in that fiscal year that was received under this subchapter in
15 a preceding fiscal year.

16 (b) The institution shall deliver a copy of the report to
17 the coordinating board and the Legislative Budget Board not later
18 than December 1 after the end of the fiscal year. The Legislative
19 Budget Board may establish requirements for the form and content of
20 the report.

21 (c) The institution shall include in the report information
22 on the use or other disposition of money the institution previously
23 received from the Texas excellence fund or the university research
24 fund, if the institution spent money from either of those funds in
25 the fiscal year of the report.

26 SECTION 3. Sections 62.025(a), (c), and (e), Education
27 Code, are amended to read as follows:

1 (a) Not later than November 1 of each state fiscal year, the
2 comptroller shall deposit the first \$50 million that comes to the
3 state at the beginning of each state fiscal year and that is not
4 dedicated by other law as follows:

5 (1) except as provided by Subsection [~~Subsections (d)~~
6 ~~and~~] (e), an amount equal to the portion of the total return on all
7 investment assets of the higher education fund in the preceding
8 state fiscal year computed by multiplying that total return by the
9 percentage of the total return on all investment assets of the
10 permanent fund for tobacco education and enforcement that
11 constitutes available earnings as determined by the comptroller
12 under Section 403.1068, Government Code, in that year must be
13 deposited to the credit of the research development [~~Texas~~
14 ~~excellence~~] fund established under Subchapter E [~~E~~]; and

15 (2) the remaining amount must be deposited to the
16 credit of the higher education fund.

17 (c) The deposit required by this section to the higher
18 education fund expires on September 1 after the date the
19 comptroller certifies that the value of the higher education fund
20 is \$2 billion. In each state fiscal year that begins on or after
21 that date, the comptroller shall deposit to the credit of the
22 research development [~~Texas excellence~~] fund established under
23 Subchapter E [~~E~~] from the first money that comes to the state at the
24 beginning of that fiscal year an amount, not to exceed \$50 million,
25 equal to the portion of the total return on all investment assets of
26 the higher education fund in the preceding state fiscal year
27 computed by multiplying that total return by the percentage of the

1 total return on all investment assets of the permanent fund for
2 tobacco education and enforcement that constitutes available
3 earnings as determined by the comptroller under Section 403.1068,
4 Government Code.

5 (e) An amount may not be deposited to the research
6 development [~~Texas excellence~~] fund under this section if
7 Subchapter E [~~E~~] expires or is repealed or if the research
8 development [~~Texas excellence~~] fund is abolished.

9 SECTION 4. The following laws are repealed:

- 10 (1) Section 62.025(d), Education Code;
11 (2) Subchapter C, Chapter 62, Education Code; and
12 (3) Subchapter D, Chapter 62, Education Code.

13 SECTION 5. (a) The first distribution of money from the
14 research development fund established by this Act shall be made in
15 the state fiscal year beginning September 1, 2005.

16 (b) On and after the effective date of this Act, any amount
17 remaining in or payable to the credit of the Texas excellence fund
18 or the university research fund shall be transferred to the credit
19 of the research development fund established by this Act.

20 SECTION 6. This Act takes effect September 1, 2005.

President of the Senate

Speaker of the House

I certify that H.B. No. 3526 was passed by the House on May 10, 2003, by the following vote: Yeas 66, Nays 58, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 3526 on May 30, 2003, by the following vote: Yeas 140, Nays 0, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 3526 was passed by the Senate, with amendments, on May 28, 2003, by a viva-voce vote.

Secretary of the Senate

APPROVED: _____

Date

Governor