

1-1 By: Hamric, et al. (Senate Sponsor - Duncan) H.B. No. 3526
1-2 (In the Senate - Received from the House May 12, 2003;
1-3 May 13, 2003, read first time and referred to Committee on Finance;
1-4 May 23, 2003, reported favorably by the following vote: Yeas 9,
1-5 Nays 4; May 23, 2003, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to the establishment of the research development fund to
1-9 promote research at certain institutions of higher education and to
1-10 the abolition of the Texas excellence fund and the university
1-11 research fund.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. The heading to Chapter 62, Education Code, is
1-14 amended to read as follows:

1-15 CHAPTER 62. DIVISION OF CONSTITUTIONALLY APPROPRIATED FUNDS AMONG
1-16 CERTAIN INSTITUTIONS OF HIGHER EDUCATION; RESEARCH DEVELOPMENT
1-17 FUND

1-18 SECTION 2. Chapter 62, Education Code, is amended by adding
1-19 Subchapter E to read as follows:

1-20 SUBCHAPTER E. RESEARCH DEVELOPMENT FUND

1-21 Sec. 62.091. PURPOSE. The research development fund is
1-22 established to provide funding to promote increased research
1-23 capacity at eligible general academic teaching institutions.

1-24 Sec. 62.092. DEFINITIONS. In this subchapter:

1-25 (1) "Coordinating board" means the Texas Higher
1-26 Education Coordinating Board.

1-27 (2) "Eligible institution" means a general academic
1-28 teaching institution, as defined by Section 61.003, other than The
1-29 University of Texas at Austin, Texas A&M University, or Prairie
1-30 View A&M University.

1-31 Sec. 62.093. ADMINISTRATION. (a) The research development
1-32 fund is a fund outside the state treasury in the custody of the
1-33 comptroller.

1-34 (b) The comptroller shall administer and invest the
1-35 research development fund.

1-36 Sec. 62.094. FUNDING. (a) The research development fund
1-37 consists of the amount deposited to the credit of the fund under
1-38 Section 62.025 in each state fiscal year, the amount appropriated
1-39 or transferred to the credit of the fund by the legislature under
1-40 Subsection (b), and any other amounts transferred to the fund under
1-41 this section.

1-42 (b) In each state fiscal year, the legislature may
1-43 appropriate or provide for the transfer to the credit of the
1-44 research development fund of an amount not less than the amount
1-45 deposited to the credit of the fund under Section 62.025 in that
1-46 fiscal year.

1-47 (c) The comptroller shall deposit all interest, dividends,
1-48 and other income earned from investment of the research development
1-49 fund to the credit of the fund.

1-50 (d) The comptroller may accept gifts or grants from any
1-51 public or private source for the research development fund.

1-52 Sec. 62.095. APPORTIONMENT OF FUND TO ELIGIBLE
1-53 INSTITUTIONS. (a) In each state fiscal year, the comptroller shall
1-54 distribute the total amount of all assets in the research
1-55 development fund to eligible institutions. The amount shall be
1-56 apportioned among the eligible institutions based on the average
1-57 amount of restricted research funds expended by each institution
1-58 per year for the three preceding state fiscal years.

1-59 (b) For purposes of Subsection (a), the amount of restricted
1-60 research funds expended by an institution in a fiscal year is the
1-61 amount of those funds as reported to the coordinating board by the
1-62 institution for that fiscal year, subject to any adjustment by the
1-63 coordinating board in accordance with the standards and accounting
1-64 methods the coordinating board prescribes under Section 62.096.

2-1 Sec. 62.0951. APPORTIONMENT OF FUND IN 2006-2007 FISCAL
 2-2 BIENNIUM. (a) This section applies to the apportionment of the
 2-3 research development fund in each state fiscal year of the state
 2-4 fiscal biennium ending August 31, 2007.

2-5 (b) In a state fiscal year to which this section applies, if
 2-6 under the apportionment method prescribed by Section 62.095 an
 2-7 eligible institution that received money from the university
 2-8 research fund in the state fiscal year ending August 31, 2005, would
 2-9 be entitled to receive from the research development fund an amount
 2-10 that is less than 50 percent of the amount distributed to the
 2-11 institution from the university research fund in the state fiscal
 2-12 year ending August 31, 2005, the comptroller shall increase the
 2-13 amount apportioned to that institution from the research
 2-14 development fund to an amount equal to 50 percent of the amount
 2-15 distributed to the institution from the university research fund in
 2-16 the state fiscal year ending August 31, 2005.

2-17 (c) After apportioning the amount prescribed by Subsection
 2-18 (b) to each eligible institution to which Subsection (b) applies,
 2-19 the comptroller shall apportion the remaining amount to be
 2-20 distributed from the research development fund in that fiscal year
 2-21 to the remaining eligible institutions in proportion to the amounts
 2-22 the institutions would be entitled to receive in that fiscal year
 2-23 under the apportionment method prescribed by Section 62.095.

2-24 (d) This section expires January 1, 2008.

2-25 Sec. 62.096. VERIFICATION OF ALLOCATION FACTORS. (a) For
 2-26 purposes of this subchapter, the coordinating board shall prescribe
 2-27 standards and accounting methods for determining the amount of
 2-28 restricted research funds expended by an eligible institution in a
 2-29 state fiscal year.

2-30 (b) The coordinating board, as soon as practicable in each
 2-31 state fiscal year, shall provide the comptroller with verified
 2-32 information relating to the amounts of restricted research funds
 2-33 expended by eligible institutions as necessary to determine the
 2-34 apportionment of the research development fund under this
 2-35 subchapter for that fiscal year.

2-36 (c) The coordinating board may audit the appropriate
 2-37 records of an eligible institution to verify information for
 2-38 purposes of this subchapter.

2-39 Sec. 62.097. USE OF ALLOCATED AMOUNTS. (a) An eligible
 2-40 institution may use money received from the research development
 2-41 fund only for the support and maintenance of educational and
 2-42 general activities, including research and student services, that
 2-43 promote increased research capacity at the institution.

2-44 (b) Money received by an institution from the research
 2-45 development fund in a fiscal year that is not used by the
 2-46 institution in that fiscal year may be held and used by the
 2-47 institution in subsequent fiscal years.

2-48 Sec. 62.098. ANNUAL REPORT. (a) Each eligible institution
 2-49 that receives money under this subchapter in a state fiscal year
 2-50 shall prepare a report at the end of that fiscal year describing the
 2-51 manner in which the institution used the money. The institution
 2-52 shall include in the report information regarding the use of money
 2-53 spent in that fiscal year that was received under this subchapter in
 2-54 a preceding fiscal year.

2-55 (b) The institution shall deliver a copy of the report to
 2-56 the coordinating board and the Legislative Budget Board not later
 2-57 than December 1 after the end of the fiscal year. The Legislative
 2-58 Budget Board may establish requirements for the form and content of
 2-59 the report.

2-60 (c) The institution shall include in the report information
 2-61 on the use or other disposition of money the institution previously
 2-62 received from the Texas excellence fund or the university research
 2-63 fund, if the institution spent money from either of those funds in
 2-64 the fiscal year of the report.

2-65 SECTION 3. Sections 62.025(a), (c), and (e), Education
 2-66 Code, are amended to read as follows:

2-67 (a) Not later than November 1 of each state fiscal year, the
 2-68 comptroller shall deposit the first \$50 million that comes to the
 2-69 state at the beginning of each state fiscal year and that is not

3-1 dedicated by other law as follows:
 3-2 (1) except as provided by Subsection [~~Subsections (d)~~
 3-3 ~~and~~] (e), an amount equal to the portion of the total return on all
 3-4 investment assets of the higher education fund in the preceding
 3-5 state fiscal year computed by multiplying that total return by the
 3-6 percentage of the total return on all investment assets of the
 3-7 permanent fund for tobacco education and enforcement that
 3-8 constitutes available earnings as determined by the comptroller
 3-9 under Section 403.1068, Government Code, in that year must be
 3-10 deposited to the credit of the research development [~~Texas~~
 3-11 ~~excellence~~] fund established under Subchapter E [~~C~~]; and

3-12 (2) the remaining amount must be deposited to the
 3-13 credit of the higher education fund.

3-14 (c) The deposit required by this section to the higher
 3-15 education fund expires on September 1 after the date the
 3-16 comptroller certifies that the value of the higher education fund
 3-17 is \$2 billion. In each state fiscal year that begins on or after
 3-18 that date, the comptroller shall deposit to the credit of the
 3-19 research development [~~Texas excellence~~] fund established under
 3-20 Subchapter E [~~C~~] from the first money that comes to the state at the
 3-21 beginning of that fiscal year an amount, not to exceed \$50 million,
 3-22 equal to the portion of the total return on all investment assets of
 3-23 the higher education fund in the preceding state fiscal year
 3-24 computed by multiplying that total return by the percentage of the
 3-25 total return on all investment assets of the permanent fund for
 3-26 tobacco education and enforcement that constitutes available
 3-27 earnings as determined by the comptroller under Section 403.1068,
 3-28 Government Code.

3-29 (e) An amount may not be deposited to the research
 3-30 development [~~Texas excellence~~] fund under this section if
 3-31 Subchapter E [~~C~~] expires or is repealed or if the research
 3-32 development [~~Texas excellence~~] fund is abolished.

3-33 SECTION 4. The following laws are repealed:

- 3-34 (1) Section 62.025(d), Education Code;
- 3-35 (2) Subchapter C, Chapter 62, Education Code; and
- 3-36 (3) Subchapter D, Chapter 62, Education Code.

3-37 SECTION 5. (a) The first distribution of money from the
 3-38 research development fund established by this Act shall be made in
 3-39 the state fiscal year beginning September 1, 2005.

3-40 (b) On and after the effective date of this Act, any amount
 3-41 remaining in or payable to the credit of the Texas excellence fund
 3-42 or the university research fund shall be transferred to the credit
 3-43 of the research development fund established by this Act.

3-44 SECTION 6. This Act takes effect September 1, 2005.

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