

BILL ANALYSIS

Senate Research Center
81R11231 KSD-D

S.B. 9
By: Zaffirini, et al.
Higher Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The purpose of this bill is provide mission-specific performance funding to enhance the prestige of Texas national research universities, to create additional national research universities, and to foster the development of high-quality comprehensive regional universities. The performance funding is not intended to supplant base formula funding, but rather to serve as a supplement.

Currently, Texas has three Tier 1 institutions: The University of Texas at Austin, Texas A&M University, and Rice University. In comparison, California has nine Tier 1 institutions and New York has five. Tier 1 institutions bring together a critical mass of talent and enrich the area in which they are located. By not having more Tier 1 institutions, Texas loses out in research funding, venture capital, top students who leave to attend Tier 1 institutions outside of the state, and top faculty, researchers, and scientists.

As there are no current statutes to support, aid, and encourage emerging research universities and create new Tier 1 higher education institutions, this legislation creates two new programs and enhances another to promote this effort.

As proposed, S.B. 9 amends the Education Code by adding Subchapter FF (Texas Competitive Knowledge Funding), to provide funding to research universities and emerging research universities to recruit and retain highly qualified faculty to enhance research productivity at those universities; Subchapter GG (Texas Centers of Excellence Performance Funding), to provide funding to facilitate the creation of premier public comprehensive universities with a focus on strong undergraduate curricula and limited research centers of excellence; and Subchapter HH (Texas Research Incentive Program (TRIP)) to provide matching funds to assist eligible institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 2 (Sections 61.9775, 61.9795, and 61.9804, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 61, Education Code, by adding Section 61.0904, as follows:

Sec. 61.0904. REVIEW OF INSTITUTIONAL GROUPINGS. Requires the Texas Higher Education Coordinating Board (THECB) at least once every 10 years, to conduct a review of the institutional groupings under THECB's accountability system, including a review of the criteria for and definitions assigned to those groupings.

SECTION 2. Amends Chapter 61, Education Code, by adding Subchapters FF, GG, and HH, as follows:

SUBCHAPTER FF. TEXAS COMPETITIVE KNOWLEDGE FUNDING

Sec. 61.9771. DEFINITIONS. Defines "at-risk student," "critical field," and "eligible institution."

Sec. 61.9772. **PURPOSE.** Provides that the purpose of this subchapter is to provide funding to research universities and emerging research universities for the recruitment and retention of highly qualified faculty and the enhancement of research productivity at those universities.

Sec. 61.9773. **FUNDING.** (a) Requires THECB, for each state fiscal year, to distribute any funds appropriated by the legislature for the purposes of this subchapter, and any other funds made available for purposes of this Subchapter, to eligible institutions as follows:

(1) 80 percent to be distributed among eligible institutions based on the average amount of total research funds expended by each institution annually during the three most recent state fiscal years, according to certain rates;

(2) 10 percent to be distributed among eligible institutions in proportion to the average number of degrees awarded by each institution annually during the two most recent state fiscal years, using the weights assigned to each degree under the table prescribed by Subsection (b); and

(3) 10 percent to be distributed among eligible institutions in proportion to the percentage increase, if any, in the average number of degrees awarded by each institution annually in the two most recent fiscal years from the average number of degrees awarded by that institution annually in the two fiscal years immediately preceding those fiscal years, using the weights assigned to each degree under the table prescribed by Subsection (b).

(b) Sets forth a table that provides the number of points assigned for each degree awarded by an eligible institution.

(c) Provides that for purposes of Subsection (a)(1), the amount of restricted research funds expended by an eligible 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 standards and accounting methods THECB prescribes for purposes of this section. Requires that if the funds available for distribution for a state fiscal year under Subsection (a)(1) are not sufficient to provide the amount specified by Subsection (a)(1) for each eligible institution or exceed the amount sufficient for that purpose, the available amount be distributed in proportion to the total amount to which each institution is otherwise entitled under Subsection (a)(1).

Sec. 61.9774. **REPORT BY ELIGIBLE INSTITUTIONS TO BOARD.** Requires each eligible institution, not later than September 1 of each year, to compile and submit to THECB, in accordance with rules adopted by THECB, a report that includes the following data regarding each student who was awarded a degree by the institution during the preceding state fiscal year:

(1) the student's scores on the Scholastic Assessment Test (SAT) and American College Test (ACT);

(2) the number of semester credit hours completed by the student at the institution;

(3) whether the student received a grant under the federal Pell Grant program;

(4) the age of the student on the date the student initially enrolled in the institution;

(5) whether the student initially enrolled in the institution for less than 12 semester credit hours during a fall or spring semester;

- (6) whether any degree award to the student by the institution is in a critical field;
- (7) whether the student did not receive a high school diploma but received a high school equivalency certificate; and
- (8) any other information required by THECB.

Sec. 61.9775. RULES. Requires THECB to adopt rules for the administration of this subchapter.

SUBCHAPTER GG. TEXAS CENTERS OF EXCELLENCE PERFORMANCE FUNDING

Sec. 61.9791. DEFINITIONS. Defines "at risk-student," "critical field," and "eligible institution."

Sec. 61.9792. PURPOSE. Provides that the purpose of this subchapter is to provide funding to facilitate the creation of premier public comprehensive universities focused on strong undergraduate curricula and limited research centers of excellence.

Sec. 61.9793. FUNDING. (a) Requires THECB, for each state fiscal year, to distribute any funds appropriated by the legislature for the purposes of this subchapter, and any other funds made available for the purposes of this subchapter, to eligible institutions as follows:

- (1) 40 percent to be distributed among eligible institutions in proportion to the number of points assigned to each institution under the table prescribed by Subsection (c);
- (2) 40 percent to be distributed among eligible institutions in proportion to the percentage increase, if any, in the average number of degrees awarded annually by each institution in the two most recent fiscal years from the average number of degrees awarded annually by that institution in the two fiscal years immediately preceding those fiscal years, using the weights assigned to each degree under the table prescribed by Subsection (c); and
- (3) 20 percent to be distributed among eligible institutions in accordance with an equitable formula developed by THECB based on the number of students enrolled in each institution who were recognized as National Merit Scholars or who graduated with a grade point average in the top 10 percent of the student's high school graduating class, to be used by each institution to award scholarships to students described by this subsection.

(b) Provides that a number of points is assigned in accordance with Subsection (c) on the basis of a degree awarded during the three state fiscal years preceding the year for which the distribution of funds under this section is made.

(c) Sets forth a table that provides the number of points assigned for each degree awarded by an eligible institution.

Sec. 61.9794. REPORT BY ELIGIBLE INSTITUTIONS TO BOARD. Requires each eligible institution, not later than September 1 of each year, to compile and submit to THECB, in accordance with rules adopted by THECB, a report that includes the following data regarding each student who was awarded a degree by the institution during the preceding state fiscal year:

- (1) the student's scores on the SAT and ACT;
- (2) the number of semester credit hours completed by the student at the institution;

- (3) whether the student received a grant under the federal Pell Grant program;
- (4) the age of the student on the date the student initially enrolled in the institution;
- (5) whether the student initially enrolled in the institution for less than 12 semester credit hours during a fall or spring semester;
- (6) whether any degree awarded to the student by the institution is in a critical field;
- (7) whether the student did not receive a high school diploma but received a high school equivalency certificate;
- (8) whether the student was recognized as a National Merit Scholar;
- (9) whether the student graduated with a grade point average in the top 10 percent of the student's high school graduating class; and
- (10) any other information required by THECB.

Sec. 61.9795. RULES. Requires THECB to adopt rules for the administration of this subchapter.

SUBCHAPTER HH. TEXAS RESEARCH INCENTIVE PROGRAM (TRIP)

Sec. 61.9801. DEFINITIONS. Defines "eligible institution" and "program."

Sec. 61.9802. PROGRAM ADMINISTRATION. Requires THECB to develop and administer the Texas Research Incentive Program (TRIP) in accordance with this subchapter to provide matching funds to assist eligible institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment.

Sec. 61.9803. MATCHING GRANTS. (a) Entitles an eligible institution that receives cash gifts or endowments from private sources in a state fiscal year for the purpose of enhancing research activities at the institution, including a gift or endowment for endowed chairs, professorships, facilities, equipment, program costs, or graduate stipends or fellowships, to receive, out of funds appropriated for the purposes of the program for that fiscal year, a matching grant in an amount determined according to certain rates.

(b) Provides that an eligible institution is not entitled to matching funds under the program for an in-kind gift, a gift that has been pledged but has not been received by the institution, a gift for undergraduate scholarships or grants, or any portion of gifts or endowments received by the institution from a single source in a state fiscal year in excess of \$10 million.

(c) Requires THECB to establish procedures for the certification by THECB of an eligible institution's receipt of a qualifying gift or endowment. Requires that a gift or endowment be certified as of the date the gift or endowment was deposited by the institution in a depository bank or invested by the institution as authorized by law.

(d) Requires THECB, if the funds appropriated for the program for a state fiscal year are insufficient to provide matching grants in the amounts specified by this section for all qualifying private gifts and endowments received by eligible institutions during that fiscal year, to provide matching grants for those gifts and endowments in order of their certification date, and requires THECB to provide matching grants for any remaining unmatched gifts and endowments in the following fiscal year using funds appropriated to the program for that following year, to the extent funds are available.

(e) Prohibits matching grants received by an eligible institution under this section from being considered as a basis to reduce, directly or indirectly, the amount of money otherwise appropriated to the institution.

Sec. 61.9804. RULES. Requires THECB to adopt rules for the administration of this subchapter.

SECTION 3. Requires the THECB to adopt rules relating to the administration of Subchapters FF, GG, and HH, Chapter 61, Education Code, as added by this Act, as soon as practicable after the effective date of this Act.

SECTION 4. Effective date: September 1, 2009.