

## **BILL ANALYSIS**

Senate Research Center

S.B. 1560  
By: Duncan, Shapiro  
Higher Education  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Texas lags behind other states in the number of nationally recognized research universities. Currently, Texas has only two public research universities of national prominence. While Texas must continue strengthening these existing institutions, it must also focus resources on establishing additional nationally prominent research universities.

As proposed, S.B. 1560 creates the national research university fund (fund) as a dedicated, long-term, independent, and equitable source of funding to enable emerging research universities in this state to achieve national prominence as major research universities. The bill would establish a set of rigorous, objective criteria aimed at identifying those emerging research universities that attain significant standards of achievement. S.B. 1560 provides eligible institutions a long-term, permanent, annual distribution from the fund for the purpose of promoting increased research activity at the institution in an effort to further its ultimate goal of becoming a nationally recognized research university.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the comptroller of public accounts is rescinded in SECTION 5 (Section 62.025, Education Code) of this bill.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. INSTITUTIONAL GROUPINGS. (a) Requires the Texas Higher Education Coordinating Board (THECB), in its accountability system, to establish institutional groupings for classification of institutions of higher education, including a grouping for research universities, emerging research universities, doctoral universities, comprehensive universities, and masters universities.

(b) Requires THECB to conduct a review of the institutional groupings, including a review of the criteria for and definitions assigned to those groupings.

SECTION 2. Amends the heading to Chapter 62, Education Code, to read as follows:

#### **CHAPTER 62. CONSTITUTIONAL AND STATUTORY FUNDS TO SUPPORT INSTITUTIONS OF HIGHER EDUCATION**

SECTION 3. Amends Chapter 62, Education Code, by adding Subchapter D, as follows:

#### **SUBCHAPTER D. NATIONAL RESEARCH UNIVERSITY FUND**

Sec. 62.071. PURPOSE. Sets forth the purpose of this chapter.

Sec. 62.072. DEFINITIONS. Defines "coordinating board," "eligible institution," "fund," and "general academic teaching institution."

Sec. 62.073. ADMINISTRATION AND INVESTMENT OF FUND. (a) Provides that the national research university fund is a fund outside the state treasury in the custody of the comptroller of public accounts (comptroller).

(b) Requires the comptroller to administer and invest the fund in accordance with Section 20, Article VII (Education), Texas Constitution.

Sec. 62.074. FUNDING. (a) Provides that the national research university fund (fund) consists of any amounts appropriated or transferred to the credit of the fund under the Texas Constitution or otherwise appropriated or transferred to the credit of the fund under this section or another law.

(b) Requires the comptroller to deposit to the credit of the fund all interest, dividends, and other income earned from the investment of the fund.

(c) Authorizes the comptroller to accept gifts or grants from any public or private source for the fund.

Sec. 62.075. ELIGIBILITY TO RECEIVE DISTRIBUTIONS FROM FUND. (a) Provides that a general academic teaching institution is eligible to receive a distribution of money under this subchapter for each year of a state fiscal biennium under certain circumstances, including:

(1) the institution is designated as an emerging research university under THECB's accountability system;

(2) in each of the two state fiscal years preceding the state fiscal biennium, the institution reported at least \$45 million in restricted research expenditures;

(3) the aggregate value of the institution's endowment funds is at least \$500 million; and

(4) the institution satisfies at least two of the following criteria:

(A) at least 200 doctor of philosophy degrees were awarded by the institution during each of the two academic years preceding the state fiscal biennium;

(B) the entering freshman class for each of those two academic years demonstrated high academic achievement, as determined according to standards prescribed by THECB;

(C) designated as an American Research Library or has a Phi Beta Kappa chapter; and

(D) the faculty of the institution for each of those two academic years was of high quality, as determined according to THECB standards based on the professional achievement and recognition of the institution's faculty, including the election of faculty members to national academies.

(b) Provides that a general academic teaching institution that becomes eligible under Subsection (a) to receive a distribution of money under this subchapter remains eligible to receive a distribution of money under this subchapter in each subsequent state fiscal year.

Sec. 62.076. INELIGIBILITY OF INSTITUTIONS RECEIVING PERMANENT UNIVERSITY FUND SUPPORT AND MAINTENANCE. Provides that The University of Texas at Austin, Texas A&M University, and Prairie View A&M University are ineligible to receive any money under this subchapter.

Sec. 62.077. ALLOCATION OF APPROPRIATED FUNDS TO ELIGIBLE INSTITUTIONS. Requires the comptroller, in each state fiscal year, to distribute to eligible institutions the total amount appropriated from the fund for that fiscal year. Requires that the amount allocated to the eligible institutions be based on an equitable formula adopted by the legislature to carry out the purposes of the fund as established by Section 20, Article VII, Texas Constitution. Authorizes THECB to make recommendations regarding the formula and provide such assistance as directed by the legislature.

Sec. 62.078. USE OF ALLOCATED AMOUNTS. (a) Authorizes an eligible institution to use money received under this subchapter only for the support and maintenance of educational and general activities that promote increased research capacity at the institution.

(b) Provides that, for purposes of Subsection (a), permitted activities include the use of the money to provide faculty support and pay faculty salaries, purchase equipment or library materials, pay graduate stipends, and support research performed at the institution, including undergraduate research.

(c) Authorizes money received in a fiscal year by an institution under this subchapter that is not used in that fiscal year by the institution to be held and used by the institution in subsequent fiscal years for the purposes prescribed by this section.

Sec. 62.079. VERIFICATION OF FACTORS. (a) Requires THECB, for purposes of this subchapter, to prescribe standards and accounting methods for determining the value of the factors to establish the eligibility of an institution in a state fiscal year.

(b) Requires THECB, as soon as practicable in each even-numbered year no later than December 31, to provide the legislature with verified information relating to the value of the factors to establish eligible institutions for the fund under this subchapter.

(c) Requires THECB, in consultation with the State Auditor's Office, to validate the appropriate measures of an eligible institution to verify the reported values of the factors for purposes of this subchapter.

SECTION 4. Amends Section 62.094, Education Code, as follows:

Sec. 62.094. FUNDING. (a) Provides that the research development fund consists of the amounts appropriated or transferred to the credit of the fund under this section or other law. Deletes existing text providing that the research development fund consists of the amount deposited to the credit of the fund under Section 62.025 (Deposit of \$50 Million) in each state fiscal year, the amount appropriated or transferred to the credit of the fund by the legislature under Subsection (b), and any other amounts transferred to the fund under this section.

(b) Deletes existing Subsection (b). Redesignates existing Subsection (c) as Subsection (b).

(c) Redesignates existing Subsection (d) as Subsection (c).

SECTION 5. Repealers: Sections 62.025 and 62.026 (Higher Education Fund), Education Code.

SECTION 6. Effective date: January 1, 2010, contingent upon approval by the voters of the constitutional amendment relating to establishing the fund to enable emerging research universities in this state to achieve national prominence as major research universities and transferring the balance of the higher education fund to the national research university fund. Provides that if that amendment is not approved by the voters, this Act has no effect.