

BILL ANALYSIS

C.S.H.B. 1000
By: Branch
Higher Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

A recent constitutional amendment established the national research university fund to provide a dedicated, independent, and equitable source of funding to enable emerging research universities in Texas to achieve national prominence as major research universities. C.S.H.B. 1000 seeks to establish a limit on the amount to be appropriated from the fund for a fiscal year, to establish a formula for distributions from the fund to qualifying institutions, and to require an audit of certain information in connection with that distribution.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 1000 amends the Education Code to require the Texas Higher Education Coordinating Board by rule to prescribe standard methods of accounting and standard methods of reporting information for the purpose of determining the amount of restricted research funds expended by an eligible institution in a state fiscal year, in addition to determining the eligibility of such institutions to receive distributions from the national research university fund. The bill specifies that the verified information relating to eligibility criteria certified to the legislature by the coordinating board is used to determine which institutions are eligible for fund distributions, rather than to determine which institutions are initially eligible.

C.S.H.B. 1000, in a provision subjecting certain information submitted to the coordinating board by institutions to audit by the state auditor, specifies that such information is submitted for purposes of establishing eligibility for national research university fund distributions and includes the coordinating board's verification of that information among the items subject to audit. The bill authorizes the coordinating board to also request one or more audits by the state auditor as necessary or appropriate at any time after an eligible institution begins receiving distributions from the fund. The bill requires the comptroller of public accounts, from money appropriated from the fund, to reimburse the state auditor for the expenses of any such audits.

C.S.H.B. 1000 caps the total amount appropriated from the national research university fund for any state fiscal year at an amount equal to 4.5 percent of the average net market value of the investment assets of the fund for the 20 consecutive state fiscal quarters ending with the last quarter of the preceding state fiscal year, as determined by the comptroller. The bill adds a temporary provision, set to expire January 1, 2016, to specify that, for a state fiscal quarter that includes any period before the fund was established on January 1, 2010, a reference to the average net market value of the investment assets of the fund includes the average net market value of the investment assets of the former higher education fund for the applicable state fiscal quarter.

C.S.H.B. 1000 entitles each eligible institution, in each state fiscal year, to an equal share of the total amount to be distributed from the national research university fund in that year. The bill establishes that the total amount to be distributed from the fund to those eligible institutions in that year is a portion of the total amount appropriated from the fund for that year determined as follows:

- one-half of the total amount appropriated if only one institution has established eligibility;
- two-thirds of the total amount appropriated if two institutions have established eligibility;
- three-fourths of the total amount appropriated if three institutions have established eligibility;
- four-fifths of the total amount appropriated if four institutions have established eligibility;
- five-sixths of the total amount appropriated if five institutions have established eligibility;
- and
- six-sevenths of the total amount appropriated if six institutions have established eligibility.

The bill entitles each eligible institution, if the number of institutions that are eligible in a state fiscal year is more than six, to an equal share of the total amount appropriated from the fund for that fiscal year. The bill requires the comptroller to retain within the fund any portion of an appropriated amount that remains after all distributions are made for a state fiscal year and establishes that the appropriation of that retained amount lapses at the end of that state fiscal year. The bill establishes that, for purposes of the distribution of appropriated funds to eligible institutions, the total amount appropriated from the national research university fund for a state fiscal year does not include any portion of the amount appropriated that is used to reimburse the costs of an audit of the information submitted to the coordinating board for purposes of establishing fund eligibility or the coordinating board's certification or verification of that information. The bill removes provisions relating to a formula to be adopted by the legislature for determining the amount of the fund to be allocated to the institutions. The bill makes conforming and nonsubstantive changes.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2011.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 1000 omits a provision included in the original specifying that the audit by the state auditor to which certain information relating to the national research university fund is subject is mandatory. The substitute differs from the original by authorizing the Texas Higher Education Coordinating Board to request one or more, rather than subsequent, as in the original, audits by the state auditor as necessary or appropriate. The substitute, in provisions authorizing the coordinating board to request such audits after an eligible institution begins receiving fund distributions, includes a provision not included in the original authorizing the board to request such audits at any time after those distributions begin. The substitute eliminates a reference in the original to audits being 'mandatory.' The substitute contains a provision not included in the original requiring the comptroller of public accounts, from money appropriated from the fund, to reimburse the state auditor for the expenses of such audits.

C.S.H.B. 1000 caps the total amount appropriated from the fund for any state fiscal year at an amount equal to 4.5 percent of the average net market value of the fund's investment assets for the 20, rather than 12, as in the original, consecutive state fiscal quarters ending with the last quarter of the preceding state fiscal year, as determined by the comptroller. The substitute sets the expiration date of a temporary provision relating to a reference to the average net market value of the investment assets of the fund for certain state fiscal quarters on January 1, 2016, rather than January 1, 2014, as in the original. The substitute contains a provision not included in the original establishing that the total amount appropriated from the fund for a state fiscal year does not include any portion of the amount appropriated that is used to reimburse the costs of certain audits.