

AN ACT

relating to the distribution of money appropriated from the national research university fund; making an appropriation.

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

SECTION 1. Section 62.145(a), Education Code, is amended to read as follows:

(a) A general academic teaching institution becomes ~~is~~ eligible to receive an initial ~~a~~ distribution of money appropriated under this subchapter for a state fiscal ~~each~~ year ~~[of a state fiscal biennium]~~ if:

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

(2) in each of the two state fiscal years preceding the state fiscal year for which the appropriation is made ~~biennium~~, the institution expended at least \$45 million in restricted research funds; and

(3) the institution satisfies at least four of the following criteria:

(A) the value of the institution's endowment funds is at least \$400 million in each of the two state fiscal years preceding the state fiscal year for which the appropriation is made;

(B) the institution awarded at least 200 doctor

1 of philosophy degrees during each of the two academic years
2 preceding the state fiscal year for which the appropriation is made
3 [~~biennium~~];

4 (C) the entering freshman class of the
5 institution for each of those two academic years demonstrated high
6 academic achievement, as determined according to standards
7 prescribed by the coordinating board by rule, giving consideration
8 to the future educational needs of the state as articulated in the
9 coordinating board's "Closing the Gaps" report;

10 (D) the institution is designated as a member of
11 the Association of Research Libraries or has a Phi Beta Kappa
12 chapter or has received an equivalent recognition of research
13 capabilities and scholarly attainment as determined according to
14 standards prescribed by the coordinating board by rule;

15 (E) the faculty of the institution for each of
16 those two academic years was of high quality, as determined
17 according to coordinating board standards based on the professional
18 achievement and recognition of the institution's faculty,
19 including the election of faculty members to national academies;
20 and

21 (F) for each of those two academic years, the
22 institution has demonstrated a commitment to high-quality graduate
23 education, as determined according to standards prescribed by the
24 coordinating board by rule, including standards relating to the
25 number of graduate-level programs at the institution, the
26 institution's admission standards for graduate programs, and the
27 level of institutional support for graduate students.

1 SECTION 2. Section 62.146, Education Code, is amended to
2 read as follows:

3 Sec. 62.146. ACCOUNTING STANDARDS; VERIFICATION OF
4 INFORMATION. (a) The coordinating board by rule shall prescribe
5 standard methods of accounting and standard methods of reporting
6 information for the purpose of determining:

7 (1) the eligibility of institutions under Section
8 62.145; and

9 (2) the amount of restricted research funds expended
10 by an eligible institution in a state fiscal year.

11 (b) As soon as practicable in each state fiscal
12 [~~even-numbered~~] year, based on information submitted by the
13 institutions to the coordinating board as required by the
14 coordinating board, the coordinating board shall certify to the
15 comptroller and the legislature verified information relating to
16 the criteria established by Section 62.145 to be used to determine
17 which institutions are [~~initially~~] eligible for distributions of
18 money from the fund.

19 (c) Information submitted to the coordinating board by
20 institutions for purposes of establishing eligibility under this
21 subchapter and the coordinating board's certification or
22 verification of that information under this section [~~subsection~~]
23 are subject to a mandatory audit by the state auditor in accordance
24 with Chapter 321, Government Code. The coordinating board may also
25 request one or more audits by the state auditor as necessary or
26 appropriate at any time after an eligible institution begins
27 receiving distributions under this subchapter. Each audit must be

1 based on an examination of all or a representative sample of the
2 restricted research funds awarded to the institution and the
3 institution's expenditures of those funds, and must include, among
4 other elements:

5 (1) verification of the amount of restricted research
6 funds expended by the institution in the appropriate state fiscal
7 year or years; and

8 (2) verification of compliance by the institution and
9 the coordinating board with the standard methods of accounting and
10 standard methods of reporting prescribed by the coordinating board
11 under Subsection (a), including verification of:

12 (A) the institution's compliance with the
13 coordinating board's standards and accounting methods for
14 reporting expenditures of restricted research funds; and

15 (B) whether the institution's expenditures meet
16 the coordinating board's definition of restricted research
17 expenditures.

18 (d) From money appropriated from the fund, the comptroller
19 shall reimburse the state auditor for the expenses of any audits
20 conducted under Subsection (c).

21 SECTION 3. Section 62.148, Education Code, is amended to
22 read as follows:

23 Sec. 62.148. DISTRIBUTION [~~ALLOCATION~~] OF APPROPRIATED
24 FUNDS TO ELIGIBLE INSTITUTIONS. (a) In each state fiscal year, the
25 comptroller shall distribute to eligible institutions in
26 accordance with this section money [~~the total amount~~] appropriated
27 from the fund for that fiscal year.

1 (b) The total amount appropriated from the fund for any
2 state fiscal year may not exceed an amount equal to 4.5 percent of
3 the average net market value of the investment assets of the fund
4 for the 12 consecutive state fiscal quarters ending with the last
5 quarter of the preceding state fiscal year, as determined by the
6 comptroller.

7 (b-1) For purposes of Subsection (b), for a state fiscal
8 quarter that includes any period before the fund was established on
9 January 1, 2010, a reference to the average net market value of the
10 investment assets of the fund includes the average net market value
11 of the investment assets of the former higher education fund for the
12 applicable state fiscal quarter. This subsection expires January
13 1, 2014.

14 (c) Subject to Subsection (e), of the total amount
15 appropriated from the fund for distribution in a state fiscal year,
16 each eligible institution is entitled to a distribution in an
17 amount equal to the sum of:

18 (1) one-seventh of the total amount appropriated; and
19 (2) an equal share of any amount remaining after
20 distributions are calculated under Subdivision (1), not to exceed
21 an amount equal to one-fourth of that remaining amount.

22 (d) The comptroller shall retain within the fund any portion
23 of the total amount appropriated from the fund for distribution
24 that remains after all distributions are made for a state fiscal
25 year as prescribed by Subsection (c). The appropriation of that
26 retained amount lapses at the end of that state fiscal year.

27 (e) If the number of institutions that are eligible for

1 distributions in a state fiscal year is more than four, each
2 eligible institution is entitled to an equal share of the total
3 amount appropriated from the fund for distribution in that fiscal
4 year.

5 (f) For purposes of this section, the total amount
6 appropriated from the fund for distribution in a state fiscal year
7 does not include any portion of the amount appropriated that is used
8 to reimburse the costs of an audit conducted under Section
9 62.146(c) [The amount shall be allocated to the eligible
10 institutions based on an equitable formula adopted by the
11 legislature to carry out the purposes of the fund as established by
12 Section 20, Article VII, Texas Constitution. In adopting the
13 allocation formula, the legislature may consider the
14 recommendations of the coordinating board, including
15 recommendations on the appropriate elements and relative weights of
16 elements of the formula].

17 SECTION 4. For each fiscal year of the state fiscal biennium
18 ending August 31, 2013, the maximum amount permitted by Section 20,
19 Article VII, Texas Constitution, and by Section 62.148(b),
20 Education Code, as added by this Act, is appropriated to the
21 comptroller from the national research university fund for
22 distribution to eligible state universities in accordance with and
23 for the purposes described by Subchapter G, Chapter 62, Education
24 Code.

25 SECTION 5. This Act takes effect immediately if it receives
26 a vote of two-thirds of all the members elected to each house, as
27 provided by Section 39, Article III, Texas Constitution. If this

H.B. No. 1000

- 1 Act does not receive the vote necessary for immediate effect, this
- 2 Act takes effect September 1, 2011.

President of the Senate

Speaker of the House

I certify that H.B. No. 1000 was passed by the House on April 15, 2011, by the following vote: Yeas 138, Nays 0, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1000 on May 28, 2011, by the following vote: Yeas 148, Nays 0, 1 present, not voting; passed subject to the provisions of Article III, Section 49a, of the Constitution of the State of Texas.

Chief Clerk of the House

I certify that H.B. No. 1000 was passed by the Senate, with amendments, on May 25, 2011, by the following vote: Yeas 31, Nays 0; passed subject to the provisions of Article III, Section 49a, of the Constitution of the State of Texas.

Secretary of the Senate

H.B. No. 1000

I certify that the amounts appropriated in the herein H.B. No. 1000, Regular Session of the 82nd Legislature, are within amounts estimated to be available in the affected fund.

Certified _____

Comptroller of Public Accounts

APPROVED: _____

Date

Governor