

SENATE AMENDMENTS

2nd Printing

By: Branch, Frullo, Coleman, Button, Bonnen,
et al.

H.B. No. 1000

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the distribution of money appropriated from the
3 national research university fund and to one or more audits of
4 certain general academic teaching institutions in connection with
5 that distribution; making an appropriation.

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

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

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

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

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

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

22 (A) the value of the institution's endowment
23 funds is at least \$400 million;

24 (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) the institution has demonstrated a
22 commitment to high-quality graduate education, as determined
23 according to standards prescribed by the coordinating board by
24 rule, including the number of graduate-level programs at the
25 institution, the institution's admission standards for graduate
26 programs, and the level of institutional support for graduate
27 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,
25 the comptroller shall distribute to eligible institutions in
26 accordance with this section an [~~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 20 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, 2016.

14 (c) In each state fiscal year, each eligible institution is
15 entitled to an equal share of the total amount to be distributed
16 from the fund in that year. Subject to Subsection (e), the total
17 amount to be distributed from the fund to those eligible
18 institutions in that year is a portion of the total amount
19 appropriated from the fund for that year determined as follows:

20 (1) one-half of the total amount appropriated if only
21 one institution has established eligibility;

22 (2) two-thirds of the total amount appropriated if two
23 institutions have established eligibility;

24 (3) three-fourths of the total amount appropriated if
25 three institutions have established eligibility;

26 (4) four-fifths of the total amount appropriated if
27 four institutions have established eligibility;

1 (5) five-sixths of the total amount appropriated if
2 five institutions have established eligibility; and

3 (6) six-sevenths of the total amount appropriated if
4 six institutions have established eligibility.

5 (d) The comptroller shall retain within the fund any portion
6 of an appropriated amount that remains after all distributions are
7 made for a state fiscal year under this section. The appropriation
8 of that retained amount lapses at the end of that state fiscal year.

9 (e) If the number of institutions that are eligible for
10 distributions in a state fiscal year is more than six, each eligible
11 institution is entitled to an equal share of the total amount
12 appropriated from the fund for that fiscal year.

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

24 SECTION 4. For each fiscal year of the state fiscal biennium
25 ending August 31, 2013, the maximum amount permitted by Section 20,
26 Article VII, Texas Constitution, and by Section 62.148(b),
27 Education Code, as added by this Act, is appropriated to the

1 comptroller from the national research university fund for
2 distribution to eligible institutions in accordance with and for
3 the purposes described by Subchapter G, Chapter 62, Education Code.

4 SECTION 5. This Act takes effect immediately if it receives
5 a vote of two-thirds of all the members elected to each house, as
6 provided by Section 39, Article III, Texas Constitution. If this
7 Act does not receive the vote necessary for immediate effect, this
8 Act takes effect September 1, 2011.

ADOPTED

MAY 25 2011

Atty. Gen.
Secretary of the Senate

By: Branch/Zaffirini

H.B. No. 1000

Substitute the following for H.B. No. 1000:

By: Zaffirini

C.S. H.B. No. 1000

A BILL TO BE ENTITLED

1 AN ACT

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3 national research university fund; making an appropriation.

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

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

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

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

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

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

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

24 (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

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

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 26, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB1000 by Branch (Relating to the distribution of money appropriated from the national research university fund; making an appropriation.), **As Passed 2nd House**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 62 of the Education Code to specify the criteria used to determine annual distributions from the National Research University Fund (NRUF) and define the criteria used to allocate any such distributions among eligible institutions.

Currently, the Texas Constitution authorizes the Legislature to appropriate up to 7 percent of the average net market value of the investment assets of the NRUF corpus, provided the 10-year purchasing power of the corpus is preserved. The bill would stipulate the total amount appropriated from the NRUF corpus for any state fiscal year could not exceed an amount equal to 4.5 percent of the average net market value of the investment assets of the NRUF for the 12 consecutive state fiscal quarters ending with the last quarter of the preceding state fiscal year, as determined by the Comptroller.

The bill would stipulate the data submitted to the Higher Education Coordinating Board by institutions of higher education for purposes of establishing eligibility to receive allocations of NRUF proceeds, as well as the Coordinating Board's certification or verification of that information, are both subject to a mandatory audit by the State Auditor.

The bill would also authorize the Coordinating Board to request certain audits from the State Auditor. The bill would require the Comptroller use NRUF proceeds to pay the costs of these audits. The State Auditor estimates audit costs of \$220,800 in fiscal year 2012 and \$110,400 in fiscal year 2013.

The bill would also establish an equal share distribution methodology based on the number of institutions eligible to receive appropriations of NRUF proceeds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 308 State Auditor's Office, 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board

LBB Staff: JOB, ESi, JAW, KK, RT

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 19, 2011

TO: Honorable Judith Zaffirini, Chair, Senate Committee on Higher Education

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB1000 by Branch (relating to the distribution of money appropriated from the national research university fund; making an appropriation.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 62 of the Education Code to specify the criteria used to determine annual distributions from the National Research University Fund (NRUF) and define the criteria used to allocate any such distributions among eligible institutions.

Currently, the Texas Constitution authorizes the Legislature to appropriate up to 7 percent of the average net market value of the investment assets of the NRUF corpus, provided the 10-year purchasing power of the corpus is preserved. The bill would stipulate the total amount appropriated from the NRUF corpus for any state fiscal year could not exceed an amount equal to 4.5 percent of the average net market value of the investment assets of the NRUF for the 12 consecutive state fiscal quarters ending with the last quarter of the preceding state fiscal year, as determined by the Comptroller.

The bill would stipulate the data submitted to the Higher Education Coordinating Board by institutions of higher education for purposes of establishing eligibility to receive allocations of NRUF proceeds, as well as the Coordinating Board's certification or verification of that information, are both subject to a mandatory audit by the State Auditor.

The bill would also authorize the Coordinating Board to request certain audits from the State Auditor. The bill would require the Comptroller use NRUF proceeds to pay the costs of these audits. The State Auditor estimates audit costs of \$220,800 in fiscal year 2012 and \$110,400 in fiscal year 2013.

The bill would also establish an equal share distribution methodology based on the number of institutions eligible to receive appropriations of NRUF proceeds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 308 State Auditor's Office, 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board

LBB Staff: JOB, JAW, KK, RT

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 26, 2011

TO: Honorable Judith Zaffirini, Chair, Senate Committee on Higher Education

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB1000 by Branch (Relating to the distribution of money appropriated from the national research university fund and to one or more audits of certain general academic teaching institutions in connection with that distribution; making an appropriation.), **As Engrossed**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 62 of the Education Code to specify the criteria used to determine annual distributions from the National Research University Fund (NRUF) and define the criteria used to allocate any such distributions among eligible institutions.

Currently, the Texas Constitution authorizes the Legislature to appropriate up to 7 percent of the average net market value of the investment assets of the NRUF corpus, provided the 10-year purchasing power of the corpus is preserved. The bill would stipulate the total amount appropriated from the NRUF corpus for any state fiscal year could not exceed an amount equal to 4.5 percent of the average net market value of the investment assets of the NRUF 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 would stipulate the data submitted to the Higher Education Coordinating Board by institutions of higher education for purposes of establishing eligibility to receive allocations of NRUF proceeds, as well as the Coordinating Board's certification of that information, are both subject to a mandatory audit by the State Auditor. The bill would also authorize the Coordinating Board to request certain audits from the State Auditor. The bill would require the Comptroller use NRUF proceeds to pay the costs of these audits. The State Auditor estimates audit costs of \$220,800 in fiscal year 2012 and \$110,400 in fiscal year 2013.

The bill would also establish an equal share distribution methodology based on the number of institutions eligible to receive appropriations of NRUF proceeds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 308 State Auditor's Office, 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board

LBB Staff: JOB, JAW, KK, RT

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 30, 2011

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB1000 by Branch (relating to the distribution of money appropriated from the national research university fund and to one or more audits of certain general academic teaching institutions in connection with that distribution.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 62 of the Education Code to specify the criteria used to determine annual distributions from the National Research University Fund (NRUF) and define the criteria used to allocate any such distributions among eligible institutions.

Currently, the Texas Constitution authorizes the Legislature to appropriate up to 7 percent of the average net market value of the investment assets of the NRUF corpus, provided the 10-year purchasing power of the corpus is preserved. The bill would stipulate the total amount appropriated from the NRUF corpus for any state fiscal year could not exceed an amount equal to 4.5 percent of the average net market value of the investment assets of the NRUF 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 would stipulate the data submitted to the Higher Education Coordinating Board by institutions of higher education for purposes of establishing eligibility to receive allocations of NRUF proceeds are subject to an audit by the State Auditor. The bill would also authorize the Higher Education Coordinating Board to request certain audits from the State Auditor. The bill would require the Comptroller use appropriated NRUF proceeds to pay the costs of these audits.

The bill would establish a distribution formula based on the number of institutions eligible to receive appropriations of NRUF proceeds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board, 308 State Auditor's Office

LBB Staff: JOB, JAW, KK, RT

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION
Revision 1

March 22, 2011

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB1000 by Branch (Relating to the distribution of money appropriated from the national research university fund and to one or more audits of the information necessary to establish eligibility for that distribution.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1000, As Introduced: a negative impact of (\$365,592) through the biennium ending August 31, 2013.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	(\$243,728)
2013	(\$121,864)
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2011
2012	(\$243,728)	1.5
2013	(\$121,864)	0.8
2014	\$0	
2015	\$0	
2016	\$0	

Fiscal Analysis

The bill would amend Chapter 62 of the Education Code by specifying a new upper limit on annual distributions from the National Research University Fund (Fund 0214) and defining a new allocation formula methodology for those distributions.

Currently, the Texas Constitution authorizes the Legislature to appropriate up to 7 percent of the average net market value of the investment assets of the fund, provided the 10-year purchasing power of the fund corpus is preserved. The bill would stipulate that the total amount appropriated from the fund for any state fiscal year could not exceed an amount equal to 4.5 percent of the average net market value of the investment assets of the fund for the 12 consecutive state fiscal quarters ending with the last quarter of the preceding state fiscal year, as determined by the Comptroller's Office.

Appropriations from Fund 0214 to eligible institutions, under current law, are based on a formula

adopted by the Legislature. The bill would stipulate a new distribution formula based on how many institutions had established eligibility for distributions from Fund 0214.

The bill would stipulate that information submitted to the Higher Education Coordinating Board by institutions of higher education for purposes of establishing eligibility for appropriations from Fund 0214 would be subject to a mandatory audit by the State Auditor's Office.

Methodology

The State Auditor's Office (SAO) assumes three audits of eligibility criteria submitted by institutions would be mandated by Subsection (c) of the bill. In Fiscal Year 2012 the SAO would audit the eligibility criteria submitted by Texas Tech University and the University of Houston. In Fiscal Year 2013 the SAO would audit a third potentially eligible institution's submitted data.

The bill requires the SAO conduct additional audits for each new institution petitioning to be eligible to receive National Research University Fund (NRUF) proceeds. The SAO estimates the cost of auditing the eligibility data submitted by institutions seeking to participate in NRUF allocations to be \$121,864.

The bill also authorizes the Higher Education Coordinating Board to request subsequent audits by the SAO after an eligible institution begins receiving NRUF allocations. The SAO estimates the cost of a subsequent audit to be \$121,864 for such subsequent audits.

The SAO audit cost assumes a billing rate of \$92 per hour, plus travel expenses.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board, 308 State Auditor's Office

LBB Staff: JOB, KK, JAW, RT

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 16, 2011

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB1000 by Branch (Relating to the distribution of money appropriated from the national research university fund and to one or more audits of the information necessary to establish eligibility for that distribution.), **As Introduced**

No fiscal implication to the State is anticipated.

This bill provides for the following:

- 1) Authorizes the State Auditor's Office to audit the eligibility criteria submitted by institutions to the Coordinating Board.
- 2) Defines the total annual proceeds from the NRUF to be an amount no more than 4.5 percent of the average net market value of the NRUF over the previous 12 quarters.
- 3) Provides an allocation methodology entitling each eligible institution to an equal share of the annual proceeds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board

LBB Staff: JOB, KK, JAW