

**House Bill 1000**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

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;

(B) the institution awarded at least 200 doctor of philosophy degrees during each of the two academic years preceding the state fiscal year for which the appropriation is made [~~biennium~~];

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

(D) the institution is designated as a member of the Association of Research Libraries or has a Phi Beta Kappa chapter or has received an equivalent recognition of research capabilities and scholarly attainment as determined according

SENATE VERSION (CS)

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

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

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

(D) the institution is designated as a member of the Association of Research Libraries or has a Phi Beta Kappa chapter or has received an equivalent recognition of research capabilities and scholarly attainment as determined according

CONFERENCE

**House Bill 1000**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

to standards prescribed by the coordinating board by rule;  
(E) the faculty of the institution for each of those two academic years was of high quality, as determined according to coordinating board standards based on the professional achievement and recognition of the institution's faculty, including the election of faculty members to national academies; and  
(F) the institution has demonstrated a commitment to high-quality graduate education, as determined according to standards prescribed by the coordinating board by rule, including the number of graduate-level programs at the institution, the institution's admission standards for graduate programs, and the level of institutional support for graduate students.

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

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

- (1) the eligibility of institutions under Section 62.145; and
- (2) the amount of restricted research funds expended by an eligible institution in a state fiscal year.

(b) As soon as practicable in each state fiscal [~~even-numbered~~] year, based on information submitted by the institutions to the coordinating board as required by the coordinating board, the coordinating board shall certify to the comptroller and the legislature verified information relating to the criteria established by Section 62.145 to be used to

SENATE VERSION (CS)

to standards prescribed by the coordinating board by rule;  
(E) the faculty of the institution for each of those two academic years was of high quality, as determined according to coordinating board standards based on the professional achievement and recognition of the institution's faculty, including the election of faculty members to national academies; and  
(F) for each of those two academic years, the institution has demonstrated a commitment to high-quality graduate education, as determined according to standards prescribed by the coordinating board by rule, including standards relating to the number of graduate-level programs at the institution, the institution's admission standards for graduate programs, and the level of institutional support for graduate students.

SECTION 2. Same as House version.

CONFERENCE

**House Bill 1000**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION (CS)

CONFERENCE

determine which institutions are ~~initially~~ eligible for distributions of money from the fund.

(c) Information submitted to the coordinating board by institutions for purposes of establishing eligibility under this subchapter and the coordinating board's certification or verification of that information under this section ~~subsection~~ are subject to a mandatory audit by the state auditor in accordance with Chapter 321, Government Code. The coordinating board may also request one or more audits by the state auditor as necessary or appropriate at any time after an eligible institution begins receiving distributions under this subchapter. Each audit must be based on an examination of all or a representative sample of the restricted research funds awarded to the institution and the institution's expenditures of those funds, and must include, among other elements:

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

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

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

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

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

**House Bill 1000**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

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

Sec. 62.148. DISTRIBUTION [ALLOCATION] OF APPROPRIATED FUNDS TO ELIGIBLE INSTITUTIONS.

(a) In each state fiscal year, the comptroller shall distribute to eligible institutions in accordance with this section ~~an~~ an ~~the total~~ amount appropriated from the fund for that fiscal year.

(b) The total amount appropriated from the fund for any state fiscal year may not exceed 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.

(b-1) For purposes of Subsection (b), 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. This subsection expires January 1, 2016.

(c) In each state fiscal year, each eligible institution is entitled to an equal share of the total amount to be distributed from the fund in that year. Subject to Subsection (e), 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:

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

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

SENATE VERSION (CS)

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

Sec. 62.148. DISTRIBUTION [ALLOCATION] OF APPROPRIATED FUNDS TO ELIGIBLE INSTITUTIONS.

(a) In each state fiscal year, the comptroller shall distribute to eligible institutions in accordance with this section ~~money~~ money ~~the total amount~~ amount appropriated from the fund for that fiscal year.

(b) The total amount appropriated from the fund for any state fiscal year may 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.

(b-1) For purposes of Subsection (b), 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. This subsection expires January 1, 2014.

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

CONFERENCE

**House Bill 1000**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

- (3) three-fourths of the total amount appropriated if three institutions have established eligibility;
- (4) four-fifths of the total amount appropriated if four institutions have established eligibility;
- (5) five-sixths of the total amount appropriated if five institutions have established eligibility; and
- (6) six-sevenths of the total amount appropriated if six institutions have established eligibility.

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

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

(f) For purposes of this section, 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 an audit conducted under Section 62.146(c) [The amount shall be allocated to the eligible institutions 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. In adopting the allocation formula, the legislature may consider the recommendations of the coordinating board, including recommendations on the

SENATE VERSION (CS)

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

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

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

(f) For purposes of this section, the total amount appropriated from the fund for distribution in a state fiscal year does not include any portion of the amount appropriated that is used to reimburse the costs of an audit conducted under Section 62.146(c) [The amount shall be allocated to the eligible institutions 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. In adopting the allocation formula, the legislature may consider the recommendations of the coordinating board, including

CONFERENCE

**House Bill 1000**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

~~appropriate elements and relative weights of elements of the formula].~~

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

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

SENATE VERSION (CS)

~~recommendations on the appropriate elements and relative weights of elements of the formula].~~

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

SECTION 5. Same as House version.

CONFERENCE