

RESOLUTION ANALYSIS

C.S.H.J.R. 3
By: Bonnen
Higher Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The U.S. Census Bureau estimated in 2022 that the population of Texas surpassed 30 million people. This is an increase of roughly five million people since the 2010 census. This growth represents significant opportunity but, as the Federal Reserve Bank of Dallas notes, also will lead to a corresponding strain on the state's infrastructure and public resources. To ensure that the state has an educated workforce and research-driven solutions necessary to tackle these issues, C.S.H.J.R. 3 proposes a constitutional amendment to redesignate the National Research University Fund as the Texas University Fund, provide an ongoing revenue source for the fund, and make a \$3.5 billion appropriation to increase the corpus of the fund.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this resolution does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.J.R. 3 proposes an amendment to the Texas Constitution to redesignate the National Research University Fund as the Texas University Fund (TUF). The resolution removes the provision establishing that a state university that becomes eligible to receive a portion of the distributions in a state fiscal biennium remains eligible to receive additional distributions in any subsequent state fiscal biennium. The resolution establishes that, for purposes of determining the biennial limit on the rate of growth in appropriations, money in the fund is considered dedicated by the constitution and an appropriation of state tax revenues for the purpose of depositing money to the credit of the TUF is treated as if it were an appropriation of revenues dedicated by the constitution. The resolution appropriates \$3.5 billion on January 1, 2024, from the general revenue fund to the comptroller of public accounts for the purpose of immediately depositing that amount to the credit of the TUF.

C.S.H.J.R. 3 provides for an appropriation on the first business day occurring on or after the 90th day of each state fiscal year of an amount equal to the interest income, dividends, and investment earnings attributable to the Economic Stabilization Fund (ESF), otherwise known as the Rainy Day Fund, for the preceding state fiscal year from the ESF to the comptroller for immediate deposit to the credit of the TUF. For the 2024 state fiscal year, this appropriation is made on January 1, 2024. For these purposes, the amount of interest income, dividends, and investment earnings attributable to the ESF for a state fiscal year is computed by:

- determining the amount of interest and dividends due to the ESF for that fiscal year, including any interest credited to general revenue;

- adding an amount equal to the increase, if any, in the fair market value of the ESF between the last day of that fiscal year and the last day of the preceding state fiscal year; and
- subtracting the amount of any expenses of managing the investments of money in the ESF that are paid from the fund during that fiscal year.

The resolution caps the amount appropriated at \$100 million for the 2024 state fiscal year. For a state fiscal year beginning on or after September 1, 2024, the cap is the amount of the cap for the preceding state fiscal year adjusted by the increase, if any, in the rate of inflation during the preceding state fiscal year, as determined by the comptroller on the basis of changes in the consumer price index.

ELECTION DATE

The constitutional amendment proposed by this joint resolution will be submitted to the voters at an election to be held November 7, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.J.R. 3 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the resolution.

The introduced included a flat cap of \$100 million on the amount appropriated from the ESF to the comptroller for deposit to the TUF in any given fiscal year. The substitute, however, caps the initial appropriation for the 2024 state fiscal year at \$100 million and provides for this cap to be upwardly adjusted in future fiscal years based on inflation.

The substitute changes the date on which the transfer from the ESF to the comptroller for deposit to the TUF occurs. The introduced provided for this appropriation to occur on the first day of each state fiscal year, whereas the substitute provides for this appropriation to occur on the first business day occurring on or after the 90th day of each state fiscal year. Accordingly, the substitute also changes the deadline for the comptroller to deposit the transferred money. The substitute requires the amount appropriated to be deposited immediately, whereas the introduced required the deposit to be made not later than the 90th day of the state fiscal year in which the appropriation is made. The substitute includes a temporary provision that was not in the introduced providing for the appropriation to be made on January 1, 2024, for the 2024 state fiscal year.

The introduced set the amount of the appropriation from the ESF to be equal to the interest and other earnings attributable to the investment of money in the ESF for the preceding state fiscal year. The substitute revises this provision to clarify that the amount is equal to the interest income, dividends, and investment earnings attributable to the ESF. The substitute makes a related revision to the manner in which this amount is calculated by including dividends due to the fund in the calculation.

The substitute omits the provision from the introduced that appropriated \$3.5 billion from the TUF to the Texas Higher Education Coordinating Board for the 2024-2025 state fiscal biennium for distribution to eligible institutions as provided by general law.

With respect to the redesignation of the National Research University Fund as the Texas University Fund, the substitute removes the provision in the constitution establishing that once a state university becomes eligible for a portion of the funding distribution, the university remains eligible in any subsequent state fiscal biennium. The introduced did not remove this provision.

The substitute revises the prescribed ballot language.