

1-1 By: Bonnen, et al. (Senate Sponsor - Huffman) H.B. No. 1595
 1-2 (In the Senate - Received from the House April 18, 2023;
 1-3 April 20, 2023, read first time and referred to Committee on
 1-4 Finance; May 4, 2023, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 15, Nays 0; May 4, 2023,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17			X	
1-18	X			
1-19			X	
1-20	X			
1-21	X			
1-22	X			
1-23	X			
1-24	X			
1-25	X			

1-26 COMMITTEE SUBSTITUTE FOR H.B. No. 1595 By: Huffman

1-27 A BILL TO BE ENTITLED
 1-28 AN ACT

1-29 relating to the administration and investment of, and distribution
 1-30 and use of money from, certain constitutional and statutory funds
 1-31 to support general academic teaching institutions in achieving
 1-32 national prominence as major research universities and driving the
 1-33 state economy; redesignating the national research university fund
 1-34 as the Texas University Fund.

1-35 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-36 SECTION 1. Section 51.406(c), Education Code, is amended to
 1-37 read as follows:

1-38 (c) A rule or policy of a state agency, including the Texas
 1-39 Higher Education Coordinating Board, in effect on June 1, 2011,
 1-40 that requires reporting by a university system or an institution of
 1-41 higher education has no effect on or after September 1, 2013, unless
 1-42 the rule or policy is affirmatively and formally readopted before
 1-43 that date by formal administrative rule published in the Texas
 1-44 Register and adopted in compliance with Chapter 2001, Government
 1-45 Code. This subsection does not apply to:

1-46 (1) a rule or policy for which the authorizing statute
 1-47 is listed in Subsection (b);

1-48 (2) a rule or policy for which the authorizing statute
 1-49 is repealed on or before September 1, 2013, by legislation enacted
 1-50 by the legislature that becomes law; or

1-51 (3) a report required under any of the following
 1-52 provisions:

1-53 (A) Article 59.06(g)(1), Code of Criminal
 1-54 Procedure;

1-55 (B) Section 51.005;

1-56 (C) Section 51.0051;

1-57 (D) Subchapter F-1 of this chapter;

1-58 (E) Section 51.402;

1-59 (F) Section 56.039;

1-60 (G) Section 61.059;

2-1 (H) [~~Section 62.095(b)~~];
 2-2 [~~(I)~~] Section 62.098;
 2-3 (I) [~~(J)~~] Section 411.187(b), Government Code;
 2-4 (J) [~~(K)~~] Subchapter C, Chapter 606, Government
 2-5 Code;
 2-6 (K) [~~(L)~~] Subchapter E, Chapter 815, Government
 2-7 Code; or
 2-8 (L) [~~(M)~~] Chapter 1551, Insurance Code.
 2-9 SECTION 2. Section 62.092(2), Education Code, is amended to
 2-10 read as follows:
 2-11 (2) "Eligible institution" means a general academic
 2-12 teaching institution as defined by Section 61.003, other than:
 2-13 (A) The University of Texas at Austin or Texas
 2-14 A&M University; or
 2-15 (B) an institution of higher education described
 2-16 by Section 62.132(2) or 62.145.
 2-17 SECTION 3. Section 62.095, Education Code, is amended to
 2-18 read as follows:
 2-19 Sec. 62.095. APPROPRIATION OF FUND TO ELIGIBLE
 2-20 INSTITUTIONS. [~~(a)~~] In each state fiscal year, amounts shall be
 2-21 appropriated to eligible institutions in the same manner that
 2-22 research performance funding is appropriated to institutions
 2-23 eligible to receive funding from the Texas University Fund under
 2-24 Section 62.1482(a) [based on the average amount of restricted
 2-25 research funds expended by each institution per year for the three
 2-26 preceding state fiscal years].
 2-27 [~~(b) For purposes of Subsection (a), the amount of~~
 2-28 ~~restricted research funds expended by an institution in a fiscal~~
 2-29 ~~year is the amount of those funds as reported to the coordinating~~
 2-30 ~~board by the institution for that fiscal year, subject to any~~
 2-31 ~~adjustment by the coordinating board in accordance with the~~
 2-32 ~~standards and accounting methods the coordinating board prescribes~~
 2-33 ~~under Section 62.096.]
 2-34 SECTION 4. The heading to Subchapter F-1, Chapter 62,
 2-35 Education Code, is amended to read as follows:
 2-36 SUBCHAPTER F-1. NATIONAL [~~CORE~~] RESEARCH SUPPORT FUND
 2-37 SECTION 5. Section 62.131, Education Code, is amended to
 2-38 read as follows:
 2-39 Sec. 62.131. PURPOSE. The national [core] research support
 2-40 fund is established to provide funding to promote increased
 2-41 research capacity at certain institutions of higher education
 2-42 eligible to participate in the available university fund [emerging
 2-43 research universities].
 2-44 SECTION 6. Section 62.132, Education Code, is amended by
 2-45 amending Subdivisions (2) and (3) and adding Subdivision (4) to
 2-46 read as follows:
 2-47 (2) "Eligible institution" means a general academic
 2-48 teaching [an] institution [of higher education] that is eligible to
 2-49 receive distributions of money under this subchapter [designated as
 2-50 an emerging research university under the coordinating board's
 2-51 accountability system].
 2-52 (3) "Fund" means the national [core] research support
 2-53 fund.
 2-54 (4) "General academic teaching institution" has the
 2-55 meaning assigned by Section 61.003.
 2-56 SECTION 7. Section 62.133, Education Code, is amended to
 2-57 read as follows:
 2-58 Sec. 62.133. FUNDING. The national [core] research support
 2-59 fund consists of money appropriated by the legislature to eligible
 2-60 institutions for the purposes of this subchapter.
 2-61 SECTION 8. Subchapter F-1, Chapter 62, Education Code, is
 2-62 amended by adding Section 62.1335 to read as follows:
 2-63 Sec. 62.1335. ELIGIBILITY TO RECEIVE DISTRIBUTIONS FROM
 2-64 FUND. (a) A general academic teaching institution becomes
 2-65 eligible to receive an initial distribution of money appropriated
 2-66 under this subchapter for a state fiscal year if the institution:
 2-67 (1) is entitled to participate in the funding provided
 2-68 by Section 18, Article VII, Texas Constitution;
 2-69 (2) spent on average at least \$20 million in federal~~

3-1 and private research funds per state fiscal year during the
 3-2 preceding three state fiscal years; and
 3-3 (3) awarded on average at least 45 research doctoral
 3-4 degrees per academic year during the preceding three academic
 3-5 years.

3-6 (b) A general academic teaching institution that becomes
 3-7 eligible to receive a distribution of money under this subchapter
 3-8 remains eligible to receive a distribution in each subsequent state
 3-9 fiscal year.

3-10 SECTION 9. Section 62.134, Education Code, is amended to
 3-11 read as follows:

3-12 Sec. 62.134. APPROPRIATION OF FUND TO ELIGIBLE
 3-13 INSTITUTIONS. In each state fiscal year, amounts shall be
 3-14 appropriated to eligible institutions in the same manner that
 3-15 research performance funding is appropriated to institutions
 3-16 eligible to receive funding from the Texas University Fund under
 3-17 Section 62.1482 [as follows:

3-18 [(1) 50 percent based on the average amount of
 3-19 restricted research funds expended by each institution per year for
 3-20 the three preceding state fiscal years, determined in the manner
 3-21 described by Section 62.095(b), and

3-22 [(2) 50 percent based on the average amount of total
 3-23 research funds expended by each institution per year for the three
 3-24 preceding state fiscal years, determined in the manner described by
 3-25 Section 62.053(b)].

3-26 SECTION 10. The heading to Subchapter G, Chapter 62,
 3-27 Education Code, is amended to read as follows:

3-28 SUBCHAPTER G. TEXAS ~~[NATIONAL RESEARCH]~~ UNIVERSITY FUND

3-29 SECTION 11. Section 62.141, Education Code, is amended to
 3-30 read as follows:

3-31 Sec. 62.141. PURPOSE. The purpose of this subchapter is to
 3-32 allocate appropriations from the Texas University Fund ~~[national~~
 3-33 ~~research university fund]~~ to provide a dedicated, independent, and
 3-34 equitable source of funding to enable certain general academic
 3-35 teaching institutions ~~[emerging research universities in this~~
 3-36 ~~state]~~ to achieve national prominence as major research
 3-37 universities and drive the state economy.

3-38 SECTION 12. Subchapter G, Chapter 62, Education Code, is
 3-39 amended by adding Section 62.1415 to read as follows:

3-40 Sec. 62.1415. REFERENCES TO TEXAS UNIVERSITY FUND. (a) In
 3-41 this subchapter, a reference to the Texas University Fund means the
 3-42 national research university fund.

3-43 (b) In other law, the national research university fund may
 3-44 be referred to as the Texas University Fund.

3-45 SECTION 13. Section 62.142, Education Code, is amended by
 3-46 amending Subdivision (3) and adding Subdivision (5) to read as
 3-47 follows:

3-48 (3) "Fund" means the Texas University Fund ~~[national~~
 3-49 ~~research university fund]~~.

3-50 (5) "Trust company" means the Texas Treasury
 3-51 Safekeeping Trust Company.

3-52 SECTION 14. Section 62.143, Education Code, is amended to
 3-53 read as follows:

3-54 Sec. 62.143. ADMINISTRATION AND INVESTMENT OF FUND. (a)
 3-55 The Texas University Fund ~~[national research university fund]~~ is a
 3-56 fund outside the state treasury held by ~~[in the custody of]~~ the
 3-57 comptroller and administered by the trust company.

3-58 (b) The trust company ~~[comptroller]~~ shall administer and
 3-59 invest the fund in accordance with Section 20, Article VII, Texas
 3-60 Constitution.

3-61 (c) The trust company shall determine the amount available
 3-62 for distribution from the fund in accordance with a distribution
 3-63 policy adopted by the comptroller that is designed to:

3-64 (1) preserve the purchasing power of the fund's assets
 3-65 over an economic cycle, subject to the liquidity needs of the fund;
 3-66 and

3-67 (2) provide a stable and predictable stream of annual
 3-68 distributions.

3-69 SECTION 15. Section 62.144, Education Code, is amended to

4-1 read as follows:

4-2 Sec. 62.144. FUNDING. (a) The fund consists of:

4-3 (1) money [~~any amounts~~] appropriated or transferred to

4-4 the credit of the fund;

4-5 (2) gifts and grants contributed to the fund; and

4-6 (3) the interest and other earnings attributable to
4-7 the investment of money in the fund [~~under the Texas Constitution or~~
4-8 ~~otherwise appropriated or transferred to the credit of the fund~~
4-9 ~~under this section or another law~~].

4-10 (b) [~~The comptroller shall deposit to the credit of the fund~~
4-11 ~~all interest, dividends, and other income earned from investment of~~
4-12 ~~the fund.~~

4-13 [~~(c)~~] The comptroller may solicit and accept gifts or grants
4-14 from any public or private source for the fund.

4-15 SECTION 16. Section 62.145, Education Code, is amended to
4-16 read as follows:

4-17 Sec. 62.145. ELIGIBILITY TO RECEIVE DISTRIBUTIONS FROM
4-18 FUND. (a) The following general academic teaching institutions
4-19 are eligible to receive distributions under this subchapter for
4-20 each state fiscal year:

4-21 (1) Texas State University;

4-22 (2) Texas Tech University;

4-23 (3) the University of Houston; and

4-24 (4) the University of North Texas.

4-25 (b) A general academic teaching institution not listed in
4-26 Subsection (a) becomes eligible to receive an initial distribution
4-27 of money appropriated under this subchapter for a state fiscal year
4-28 if:

4-29 (1) the institution:

4-30 (A) is not entitled to participate in the funding
4-31 provided by Section 18, Article VII, Texas Constitution;

4-32 (B) spent on average at least \$20 million in
4-33 federal and private research funds per state fiscal year during the
4-34 preceding three state fiscal years; and

4-35 (C) awarded on average at least 45 research
4-36 doctoral degrees per academic year during the preceding three
4-37 academic years; and

4-38 (2) the legislature appropriates money to the fund in
4-39 an amount sufficient to ensure that, for the first state fiscal year
4-40 for which the institution would receive the distribution, the
4-41 market value of each other eligible institution's share of the
4-42 distribution of money under this subchapter for that fiscal year is
4-43 at least the same as the market value of that share for the state
4-44 fiscal year immediately preceding the state fiscal year in which
4-45 the additional institution becomes eligible for a distribution
4-46 under this subsection [~~is designated as an emerging research~~
4-47 ~~university under the coordinating board's accountability system;~~

4-48 (2) [~~in each of the two state fiscal years preceding~~
4-49 ~~the state fiscal year for which the appropriation is made, the~~
4-50 ~~institution expended at least \$45 million in restricted research~~
4-51 ~~funds; and~~

4-52 (3) [~~the institution satisfies at least four of the~~
4-53 ~~following criteria:~~

4-54 [(A) ~~the value of the institution's endowment~~
4-55 ~~is at least \$400 million in each of the two state fiscal years~~
4-56 ~~preceding the state fiscal year for which the appropriation is~~
4-57 ~~made;~~

4-58 [(B) ~~the institution awarded at least 200 doctor~~
4-59 ~~of philosophy degrees during each of the two academic years~~
4-60 ~~preceding the state fiscal year for which the appropriation is~~
4-61 ~~made;~~

4-62 [(C) ~~the entering freshman class of the~~
4-63 ~~institution for each of those two academic years demonstrated high~~
4-64 ~~academic achievement, as determined according to standards~~
4-65 ~~prescribed by the coordinating board by rule, giving consideration~~
4-66 ~~to the future educational needs of the state as articulated in the~~
4-67 ~~coordinating board's "Closing the Gaps" report;~~

4-68 [(D) ~~the institution is designated as a member of~~
4-69 ~~the Association of Research Libraries or has a Phi Beta Kappa~~

5-1 ~~chapter or has received an equivalent recognition of research~~
 5-2 ~~capabilities and scholarly attainment as determined according to~~
 5-3 ~~standards prescribed by the coordinating board by rule;~~

5-4 ~~[(E) the faculty of the institution for each of~~
 5-5 ~~those two academic years was of high quality, as determined~~
 5-6 ~~according to coordinating board standards based on the professional~~
 5-7 ~~achievement and recognition of the institution's faculty,~~
 5-8 ~~including the election of faculty members to national academies,~~
 5-9 ~~and~~

5-10 ~~[(F) for each of those two academic years, the~~
 5-11 ~~institution has demonstrated a commitment to high-quality graduate~~
 5-12 ~~education, as determined according to standards prescribed by the~~
 5-13 ~~coordinating board by rule, including standards relating to the~~
 5-14 ~~number of graduate-level programs at the institution, the~~
 5-15 ~~institution's admission standards for graduate programs, and the~~
 5-16 ~~level of institutional support for graduate students].~~

5-17 (c) [(b)] A general academic teaching institution that
 5-18 becomes eligible to receive a distribution of money under this
 5-19 subchapter remains eligible to receive a distribution in each
 5-20 subsequent state fiscal year.

5-21 SECTION 17. Sections 62.148(a), (b), and (c), Education
 5-22 Code, are amended to read as follows:

5-23 (a) In each state fiscal year, the comptroller shall
 5-24 distribute to eligible institutions in accordance with this
 5-25 subchapter ~~[section]~~ money appropriated from the fund for that
 5-26 fiscal year.

5-27 (b) The total amount appropriated from the fund for any
 5-28 state fiscal year may not exceed an amount equal to 7.0 ~~[4.5]~~
 5-29 percent of the average net market value of the investment assets of
 5-30 the fund, as determined by the comptroller, for a period set by
 5-31 comptroller rule ~~[the 12 consecutive state fiscal quarters ending~~
 5-32 ~~with the last quarter of the preceding state fiscal year, as~~
 5-33 ~~determined by the comptroller].~~

5-34 (c) The ~~[Subject to Subsection (c), of the total]~~ amount
 5-35 appropriated from the fund for distribution in a state fiscal year
 5-36 must be allocated as follows:

5-37 (1) 75 percent to the permanent endowment for
 5-38 education and research base funding under Section 62.1481; and

5-39 (2) 25 percent to the research performance funding
 5-40 under Section 62.1482 ~~[, each eligible institution is entitled to a~~
 5-41 ~~distribution in an amount equal to the sum of:~~

5-42 ~~[(1) one-seventh of the total amount appropriated; and~~

5-43 ~~[(2) an equal share of any amount remaining after~~
 5-44 ~~distributions are calculated under Subdivision (1), not to exceed~~
 5-45 ~~an amount equal to one-fourth of that remaining amount].~~

5-46 SECTION 18. Subchapter G, Chapter 62, Education Code, is
 5-47 amended by adding Sections 62.1481 and 62.1482 to read as follows:

5-48 Sec. 62.1481. PERMANENT ENDOWMENT FOR EDUCATION AND
 5-49 RESEARCH BASE FUNDING. (a) For each state fiscal year, an eligible
 5-50 institution is entitled to a distribution of a portion of the total
 5-51 amount allocated for the permanent endowment for education and
 5-52 research base funding under Section 62.148(c)(1) for that fiscal
 5-53 year. The portion to which an eligible institution is entitled is a
 5-54 fraction computed as follows:

5-55 (1) subject to Subsection (b), for an institution that
 5-56 spent at least \$45 million in federal and private research funds in
 5-57 each of the preceding two state fiscal years, an amount computed by
 5-58 dividing two by the sum of:

5-59 (A) the number of institutions entitled to
 5-60 receive a distribution under this subdivision multiplied by two;
 5-61 and

5-62 (B) the number of institutions to which
 5-63 Subdivision (2) applies; or

5-64 (2) for an institution not described by Subdivision
 5-65 (1), half the amount to which an institution to which Subdivision
 5-66 (1) applies is entitled.

5-67 (b) An eligible institution is entitled to receive a
 5-68 distribution under Subsection (a)(1) only if:

5-69 (1) in each of the state fiscal years beginning

6-1 September 1, 2020, and September 1, 2021, the institution spent at
 6-2 least the amount in federal and private research funds described by
 6-3 that subdivision; or

6-4 (2) the legislature appropriates money to the fund in
 6-5 an amount sufficient to ensure that, for the first state fiscal year
 6-6 for which the institution would receive a distribution under that
 6-7 subdivision, the market value of each other eligible institution's
 6-8 share of the distribution under that subdivision for that fiscal
 6-9 year is at least the same as the market value of that share for the
 6-10 state fiscal year immediately preceding the state fiscal year in
 6-11 which the institution becomes eligible for a distribution under
 6-12 that subdivision.

6-13 (c) An eligible institution that becomes eligible to
 6-14 receive a distribution under Subsection (a)(1) remains eligible to
 6-15 receive a distribution under that subdivision in each subsequent
 6-16 state fiscal year.

6-17 Sec. 62.1482. RESEARCH PERFORMANCE FUNDING. (a) From 85
 6-18 percent of the amount allocated for research performance funding
 6-19 under Section 62.148(c)(2) for a state fiscal year, an eligible
 6-20 institution is entitled to a distribution for that fiscal year in an
 6-21 amount proportionate to the average amount of federal and private
 6-22 research funds the institution spends per state fiscal year during
 6-23 the preceding three state fiscal years as compared to the average
 6-24 amount of those funds all eligible institutions spend per state
 6-25 fiscal year during that period.

6-26 (b) From 15 percent of the amount allocated for research
 6-27 performance funding under Section 62.148(c)(2) for a state fiscal
 6-28 year, an eligible institution is entitled to a distribution for
 6-29 that fiscal year in an amount proportionate to the average number of
 6-30 research doctoral degrees the institution awards per academic year
 6-31 during the preceding three academic years as compared to the
 6-32 average number of those degrees all eligible institutions award per
 6-33 academic year during that period.

6-34 (c) The coordinating board by rule shall establish a method
 6-35 for determining the amounts to which each eligible institution is
 6-36 entitled under this section.

6-37 SECTION 19. Sections 62.149(a) and (b), Education Code, are
 6-38 amended to read as follows:

6-39 (a) An eligible institution may use money received under
 6-40 this subchapter only for the support and maintenance of educational
 6-41 and general activities that promote increased research capacity at
 6-42 the institution in a manner that aligns with the goals of the
 6-43 state's master plan for higher education developed under Section
 6-44 61.051.

6-45 (b) For purposes of Subsection (a), the use of money shall
 6-46 be limited to the following permitted activities:

6-47 (1) providing faculty support and paying faculty
 6-48 salaries;

6-49 (2) purchasing equipment or library materials;

6-50 (3) paying graduate stipends; ~~and~~

6-51 (4) supporting research performed at the institution,
 6-52 including undergraduate research;

6-53 (5) increasing technology transfer,
 6-54 commercialization, and patent development; and

6-55 (6) increasing the number of research doctoral
 6-56 graduates in this state.

6-57 SECTION 20. Subchapter G, Chapter 62, Education Code, is
 6-58 amended by adding Sections 62.150, 62.151, and 62.152 to read as
 6-59 follows:

6-60 Sec. 62.150. INSTITUTIONAL ENDOWMENT REPORTING. (a) In
 6-61 this section, "institutional endowment fund" means a fund
 6-62 established to support a general academic teaching institution's
 6-63 mission in perpetuity.

6-64 (b) For purposes of reporting the amount of an institution's
 6-65 institutional endowment funds, each eligible institution may
 6-66 include as a true endowment, in accordance with coordinating board
 6-67 rule, the institution's share of the market value of the fund
 6-68 corresponding to the share of the permanent endowment for education
 6-69 and research base funding to which the institution is entitled for a

7-1 state fiscal year as provided by Section 62.1481.

7-2 Sec. 62.151. DETERMINATION AND REPORT OF AMOUNT OF
7-3 DISTRIBUTIONS. For each state fiscal biennium, the Legislative
7-4 Budget Board, in consultation with the coordinating board, shall:

7-5 (1) determine the amount of each distribution from the
7-6 fund to which each eligible institution is entitled as provided by
7-7 this subchapter; and

7-8 (2) report the determinations made under Subdivision
7-9 (1) to the legislature and the comptroller.

7-10 Sec. 62.152. RULES. The coordinating board may adopt rules
7-11 as necessary to implement this subchapter.

7-12 SECTION 21. The following provisions of Chapter 62,
7-13 Education Code, are repealed:

7-14 (1) Sections 62.096(a), (b), and (e);

7-15 (2) Section 62.135(b);

7-16 (3) Section 62.142(2);

7-17 (4) Sections 62.146 and 62.147; and

7-18 (5) Sections 62.148(d), (e), and (f).

7-19 SECTION 22. This Act takes effect September 1, 2023.

7-20 * * * * *