

1-1 By: Huffman S.B. No. 19
 1-2 (In the Senate - Filed March 10, 2023; March 13, 2023, read
 1-3 first time and referred to Committee on Finance; April 4, 2023,
 1-4 reported adversely, with favorable Committee Substitute by the
 1-5 following vote: Yeas 17, Nays 0; April 4, 2023, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
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 COMMITTEE SUBSTITUTE FOR S.B. No. 19 By: Nichols

1-26 A BILL TO BE ENTITLED
 1-27 AN ACT

1-28 relating to the administration and investment of, and distribution
 1-29 and use of money from, certain constitutional and statutory funds
 1-30 to support general academic teaching institutions in achieving
 1-31 national prominence as major research universities and driving the
 1-32 state economy; redesignating the national research university fund
 1-33 as the Texas University Fund.

1-34 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-35 SECTION 1. Section 51.406(c), Education Code, is amended to
 1-36 read as follows:

1-37 (c) A rule or policy of a state agency, including the Texas
 1-38 Higher Education Coordinating Board, in effect on June 1, 2011,
 1-39 that requires reporting by a university system or an institution of
 1-40 higher education has no effect on or after September 1, 2013, unless
 1-41 the rule or policy is affirmatively and formally readopted before
 1-42 that date by formal administrative rule published in the Texas
 1-43 Register and adopted in compliance with Chapter 2001, Government
 1-44 Code. This subsection does not apply to:

1-45 (1) a rule or policy for which the authorizing statute
 1-46 is listed in Subsection (b);

1-47 (2) a rule or policy for which the authorizing statute
 1-48 is repealed on or before September 1, 2013, by legislation enacted
 1-49 by the legislature that becomes law; or

1-50 (3) a report required under any of the following
 1-51 provisions:

1-52 (A) Article 59.06(g)(1), Code of Criminal
 1-53 Procedure;

1-54 (B) Section 51.005;

1-55 (C) Section 51.0051;

1-56 (D) Subchapter F-1 of this chapter;

1-57 (E) Section 51.402;

1-58 (F) Section 56.039;

1-59 (G) Section 61.059;

1-60 (H) [~~Section 62.095(b)~~];

2-1 ~~[(I)]~~ Section 62.098;
 2-2 (I) ~~[(J)]~~ Section 411.187(b), Government Code;
 2-3 ~~[(J)]~~ ~~[(K)]~~ Subchapter C, Chapter 606, Government
 2-4 Code;
 2-5 (K) ~~[(L)]~~ Subchapter E, Chapter 815, Government
 2-6 Code; or
 2-7 (L) ~~[(M)]~~ Chapter 1551, Insurance Code.

2-8 SECTION 2. Section 62.092(2), Education Code, is amended to
 2-9 read as follows:

2-10 (2) "Eligible institution" means a general academic
 2-11 teaching institution as defined by Section 61.003, other than:

2-12 (A) The University of Texas at Austin or Texas
 2-13 A&M University; or

2-14 (B) an institution of higher education described
 2-15 by Section 62.132(2) or 62.145.

2-16 SECTION 3. Section 62.095, Education Code, is amended to
 2-17 read as follows:

2-18 Sec. 62.095. APPROPRIATION OF FUND TO ELIGIBLE
 2-19 INSTITUTIONS. ~~[(a)]~~ In each state fiscal year, amounts shall be
 2-20 appropriated to eligible institutions in the same manner that
 2-21 research performance funding is appropriated to institutions
 2-22 eligible to receive funding from the Texas University Fund under
 2-23 Section 62.1482(a) [based on the average amount of restricted
 2-24 research funds expended by each institution per year for the three
 2-25 preceding state fiscal years].

2-26 ~~[(b) For purposes of Subsection (a), the amount of~~
 2-27 ~~restricted research funds expended by an institution in a fiscal~~
 2-28 ~~year is the amount of those funds as reported to the coordinating~~
 2-29 ~~board by the institution for that fiscal year, subject to any~~
 2-30 ~~adjustment by the coordinating board in accordance with the~~
 2-31 ~~standards and accounting methods the coordinating board prescribes~~
 2-32 ~~under Section 62.096.]~~

2-33 SECTION 4. The heading to Subchapter F-1, Chapter 62,
 2-34 Education Code, is amended to read as follows:

2-35 SUBCHAPTER F-1. NATIONAL ~~[CORE]~~ RESEARCH SUPPORT FUND

2-36 SECTION 5. Section 62.131, Education Code, is amended to
 2-37 read as follows:

2-38 Sec. 62.131. PURPOSE. The national [core] research support
 2-39 fund is established to provide funding to promote increased
 2-40 research capacity at certain institutions of higher education
 2-41 eligible to participate in the available university fund [emerging
 2-42 research universities].

2-43 SECTION 6. Section 62.132, Education Code, is amended by
 2-44 amending Subdivisions (2) and (3) and adding Subdivision (4) to
 2-45 read as follows:

2-46 (2) "Eligible institution" means a general academic
 2-47 teaching [an] institution [of higher education] that:

2-48 (A) is entitled to participate in the funding
 2-49 provided by Section 18, Article VII, Texas Constitution;

2-50 (B) spent on average at least \$20 million in
 2-51 federal and private research funds per state fiscal year during the
 2-52 preceding three state fiscal years; and

2-53 (C) awarded on average at least 45 research
 2-54 doctoral degrees per academic year during the preceding three
 2-55 academic years [is designated as an emerging research university
 2-56 under the coordinating board's accountability system].

2-57 (3) "Fund" means the national [core] research support
 2-58 fund.

2-59 (4) "General academic teaching institution" has the
 2-60 meaning assigned by Section 61.003.

2-61 SECTION 7. Section 62.133, Education Code, is amended to
 2-62 read as follows:

2-63 Sec. 62.133. FUNDING. The national [core] research support
 2-64 fund consists of money appropriated by the legislature to eligible
 2-65 institutions for the purposes of this subchapter.

2-66 SECTION 8. Section 62.134, Education Code, is amended to
 2-67 read as follows:

2-68 Sec. 62.134. APPROPRIATION OF FUND TO ELIGIBLE
 2-69 INSTITUTIONS. In each state fiscal year, amounts shall be

3-1 appropriated to eligible institutions in the same manner that
3-2 research performance funding is appropriated to institutions
3-3 eligible to receive funding from the Texas University Fund under
3-4 Section 62.1482 [as follows:

3-5 [(1) 50 percent based on the average amount of
3-6 restricted research funds expended by each institution per year for
3-7 the three preceding state fiscal years, determined in the manner
3-8 described by Section 62.095(b); and

3-9 [(2) 50 percent based on the average amount of total
3-10 research funds expended by each institution per year for the three
3-11 preceding state fiscal years, determined in the manner described by
3-12 Section 62.053(b)].

3-13 SECTION 9. The heading to Subchapter G, Chapter 62,
3-14 Education Code, is amended to read as follows:

3-15 SUBCHAPTER G. TEXAS [NATIONAL RESEARCH] UNIVERSITY FUND

3-16 SECTION 10. Section 62.141, Education Code, is amended to
3-17 read as follows:

3-18 Sec. 62.141. PURPOSE. The purpose of this subchapter is to
3-19 allocate appropriations from the Texas University Fund [national
3-20 research university fund] to provide a dedicated, independent, and
3-21 equitable source of funding to enable certain general academic
3-22 teaching institutions [emerging research universities in this
3-23 state] to achieve national prominence as major research
3-24 universities and drive the state economy.

3-25 SECTION 11. Subchapter G, Chapter 62, Education Code, is
3-26 amended by adding Section 62.1415 to read as follows:

3-27 Sec. 62.1415. REFERENCES TO TEXAS UNIVERSITY FUND. (a) In
3-28 this subchapter, a reference to the Texas University Fund means the
3-29 national research university fund.

3-30 (b) In other law, the national research university fund may
3-31 be referred to as the Texas University Fund.

3-32 SECTION 12. Section 62.142, Education Code, is amended by
3-33 amending Subdivision (3) and adding Subdivision (5) to read as
3-34 follows:

3-35 (3) "Fund" means the Texas University Fund [national
3-36 research university fund].

3-37 (5) "Trust company" means the Texas Treasury
3-38 Safekeeping Trust Company.

3-39 SECTION 13. Section 62.143, Education Code, is amended to
3-40 read as follows:

3-41 Sec. 62.143. ADMINISTRATION AND INVESTMENT OF FUND. (a)
3-42 The Texas University Fund [national research university fund] is a
3-43 fund outside the state treasury held by [in the custody of] the
3-44 comptroller and administered by the trust company.

3-45 (b) The trust company [comptroller] shall administer and
3-46 invest the fund in accordance with Section 20, Article VII, Texas
3-47 Constitution.

3-48 (c) The trust company shall determine the amount available
3-49 for distribution from the fund in accordance with a distribution
3-50 policy adopted by the comptroller that is designed to:

3-51 (1) preserve the purchasing power of the fund's assets
3-52 over a rolling 10-year period, subject to the liquidity needs of the
3-53 fund; and

3-54 (2) provide a stable and predictable stream of annual
3-55 distributions.

3-56 SECTION 14. Section 62.144, Education Code, is amended to
3-57 read as follows:

3-58 Sec. 62.144. FUNDING. (a) The fund consists of:

3-59 (1) money [any amounts] appropriated or transferred to
3-60 the credit of the fund;

3-61 (2) gifts and grants contributed to the fund; and

3-62 (3) the interest and other earnings attributable to
3-63 the investment of money in the fund [under the Texas Constitution or
3-64 otherwise appropriated or transferred to the credit of the fund
3-65 under this section or another law].

3-66 (b) [The comptroller shall deposit to the credit of the fund
3-67 all interest, dividends, and other income earned from investment of
3-68 the fund.

3-69 [(c)] The comptroller may solicit and accept gifts or grants

4-1 from any public or private source for the fund.

4-2 SECTION 15. Section [62.145](#), Education Code, is amended to
4-3 read as follows:

4-4 Sec. 62.145. ELIGIBILITY TO RECEIVE DISTRIBUTIONS FROM
4-5 FUND. (a) The following general academic teaching institutions
4-6 are eligible to receive distributions under this subchapter for
4-7 each state fiscal year:

4-8 (1) Texas State University;

4-9 (2) Texas Tech University;

4-10 (3) the University of Houston; and

4-11 (4) the University of North Texas.

4-12 (b) A general academic teaching institution not listed in
4-13 Subsection (a) becomes eligible to receive an initial distribution
4-14 of money appropriated under this subchapter for a state fiscal year
4-15 if:

4-16 (1) the institution:

4-17 (A) is not entitled to participate in the funding
4-18 provided by Section 18, Article VII, Texas Constitution;

4-19 (B) spent on average at least \$20 million in
4-20 federal and private research funds per state fiscal year during the
4-21 preceding three state fiscal years; and

4-22 (C) awarded on average at least 45 research
4-23 doctoral degrees per academic year during the preceding three
4-24 academic years; and

4-25 (2) the legislature appropriates money to the fund in
4-26 an amount sufficient to ensure that, for the first state fiscal year
4-27 for which the institution would receive the distribution, the
4-28 market value of each other eligible institution's share of the
4-29 distribution of money under this subchapter for that fiscal year is
4-30 at least the same as the market value of that share for the state
4-31 fiscal year immediately preceding the state fiscal year in which
4-32 the additional institution becomes eligible for a distribution
4-33 under this subsection [is designated as an emerging research
4-34 university under the coordinating board's accountability system;

4-35 ~~[(2) in each of the two state fiscal years preceding~~
4-36 ~~the state fiscal year for which the appropriation is made, the~~
4-37 ~~institution expended at least \$45 million in restricted research~~
4-38 ~~funds; and~~

4-39 ~~[(3) the institution satisfies at least four of the~~
4-40 ~~following criteria:~~

4-41 ~~[(A) the value of the institution's endowment~~
4-42 ~~funds is at least \$400 million in each of the two state fiscal years~~
4-43 ~~preceding the state fiscal year for which the appropriation is~~
4-44 ~~made;~~

4-45 ~~[(B) the institution awarded at least 200 doctor~~
4-46 ~~of philosophy degrees during each of the two academic years~~
4-47 ~~preceding the state fiscal year for which the appropriation is~~
4-48 ~~made;~~

4-49 ~~[(C) the entering freshman class of the~~
4-50 ~~institution for each of those two academic years demonstrated high~~
4-51 ~~academic achievement, as determined according to standards~~
4-52 ~~prescribed by the coordinating board by rule, giving consideration~~
4-53 ~~to the future educational needs of the state as articulated in the~~
4-54 ~~coordinating board's "Closing the Gaps" report;~~

4-55 ~~[(D) the institution is designated as a member of~~
4-56 ~~the Association of Research Libraries or has a Phi Beta Kappa~~
4-57 ~~chapter or has received an equivalent recognition of research~~
4-58 ~~capabilities and scholarly attainment as determined according to~~
4-59 ~~standards prescribed by the coordinating board by rule;~~

4-60 ~~[(E) the faculty of the institution for each of~~
4-61 ~~those two academic years was of high quality, as determined~~
4-62 ~~according to coordinating board standards based on the professional~~
4-63 ~~achievement and recognition of the institution's faculty,~~
4-64 ~~including the election of faculty members to national academies;~~
4-65 ~~and~~

4-66 ~~[(F) for each of those two academic years, the~~
4-67 ~~institution has demonstrated a commitment to high-quality graduate~~
4-68 ~~education, as determined according to standards prescribed by the~~
4-69 ~~coordinating board by rule, including standards relating to the~~

5-1 ~~number of graduate-level programs at the institution, the~~
 5-2 ~~institution's admission standards for graduate programs, and the~~
 5-3 ~~level of institutional support for graduate students].~~

5-4 (c) ~~[(b)]~~ A general academic teaching institution that
 5-5 becomes eligible to receive a distribution of money under this
 5-6 subchapter remains eligible to receive a distribution in each
 5-7 subsequent state fiscal year.

5-8 SECTION 16. Sections 62.148(a), (b), and (c), Education
 5-9 Code, are amended to read as follows:

5-10 (a) In each state fiscal year, the comptroller shall
 5-11 distribute to eligible institutions in accordance with this
 5-12 subchapter ~~[section]~~ money appropriated from the fund for that
 5-13 fiscal year.

5-14 (b) The total amount appropriated from the fund for any
 5-15 state fiscal year may not exceed an amount equal to 7.0 ~~[4.5]~~
 5-16 percent of the average net market value of the investment assets of
 5-17 the fund, as determined by the comptroller, for a period set by
 5-18 comptroller rule ~~[the 12 consecutive state fiscal quarters ending~~
 5-19 ~~with the last quarter of the preceding state fiscal year, as~~
 5-20 ~~determined by the comptroller].~~

5-21 (c) The ~~[Subject to Subsection (e), of the total]~~ amount
 5-22 appropriated from the fund for distribution in a state fiscal year
 5-23 must be allocated as follows:

5-24 (1) 75 percent to the permanent endowment for
 5-25 education and research base funding under Section 62.1481; and

5-26 (2) 25 percent to the research performance funding
 5-27 under Section 62.1482 ~~[, each eligible institution is entitled to a~~
 5-28 ~~distribution in an amount equal to the sum of:~~

5-29 ~~[(1) one-seventh of the total amount appropriated; and~~

5-30 ~~[(2) an equal share of any amount remaining after~~
 5-31 ~~distributions are calculated under Subdivision (1), not to exceed~~
 5-32 ~~an amount equal to one-fourth of that remaining amount].~~

5-33 SECTION 17. Subchapter G, Chapter 62, Education Code, is
 5-34 amended by adding Sections 62.1481 and 62.1482 to read as follows:

5-35 Sec. 62.1481. PERMANENT ENDOWMENT FOR EDUCATION AND
 5-36 RESEARCH BASE FUNDING. (a) For each state fiscal year, an eligible
 5-37 institution is entitled to a distribution of a portion of the total
 5-38 amount allocated for the permanent endowment for education and
 5-39 research base funding under Section 62.148(c)(1) for that fiscal
 5-40 year. The portion to which an eligible institution is entitled is a
 5-41 fraction computed as follows:

5-42 (1) subject to Subsection (b), for an institution that
 5-43 spent at least \$45 million in federal and private research funds in
 5-44 each of the preceding two state fiscal years, an amount computed by
 5-45 dividing two by the sum of:

5-46 (A) the number of institutions entitled to
 5-47 receive a distribution under this subdivision multiplied by two;
 5-48 and

5-49 (B) the number of institutions to which
 5-50 Subdivision (2) applies; or

5-51 (2) for an institution not described by Subdivision
 5-52 (1), half the amount to which an institution to which Subdivision
 5-53 (1) applies is entitled.

5-54 (b) An eligible institution is entitled to receive a
 5-55 distribution under Subsection (a)(1) only if:

5-56 (1) in each of the state fiscal years beginning
 5-57 September 1, 2020, and September 1, 2021, the institution spent at
 5-58 least the amount in federal and private research funds described by
 5-59 that subdivision; or

5-60 (2) the legislature appropriates money to the fund in
 5-61 an amount sufficient to ensure that, for the first state fiscal year
 5-62 for which the institution would receive a distribution under that
 5-63 subdivision, the market value of each other eligible institution's
 5-64 share of the distribution under that subdivision for that fiscal
 5-65 year is at least the same as the market value of that share for the
 5-66 state fiscal year immediately preceding the state fiscal year in
 5-67 which the institution becomes eligible for a distribution under
 5-68 that subdivision.

5-69 (c) An eligible institution that becomes eligible to

6-1 receive a distribution under Subsection (a)(1) remains eligible to
6-2 receive a distribution under that subdivision in each subsequent
6-3 state fiscal year.

6-4 Sec. 62.1482. RESEARCH PERFORMANCE FUNDING. (a) From 85
6-5 percent of the amount allocated for research performance funding
6-6 under Section 62.148(c)(2) for a state fiscal year, an eligible
6-7 institution is entitled to a distribution for that fiscal year in an
6-8 amount proportionate to the average amount of federal and private
6-9 research funds the institution spends per state fiscal year during
6-10 the preceding three state fiscal years as compared to the average
6-11 amount of those funds all eligible institutions spend per state
6-12 fiscal year during that period.

6-13 (b) From 15 percent of the amount allocated for research
6-14 performance funding under Section 62.148(c)(2) for a state fiscal
6-15 year, an eligible institution is entitled to a distribution for
6-16 that fiscal year in an amount proportionate to the average number of
6-17 research doctoral degrees the institution awards per academic year
6-18 during the preceding three academic years as compared to the
6-19 average number of those degrees all eligible institutions award per
6-20 academic year during that period.

6-21 (c) The coordinating board by rule shall establish a method
6-22 for determining the amounts to which each eligible institution is
6-23 entitled under this section.

6-24 SECTION 18. Sections 62.149(a) and (b), Education Code, are
6-25 amended to read as follows:

6-26 (a) An eligible institution may use money received under
6-27 this subchapter only for the support and maintenance of educational
6-28 and general activities that promote increased research capacity at
6-29 the institution in a manner that aligns with the goals of the
6-30 state's master plan for higher education developed under Section
6-31 61.051.

6-32 (b) For purposes of Subsection (a), the use of money shall
6-33 be limited to the following permitted activities:

6-34 (1) providing faculty support and paying faculty
6-35 salaries;

6-36 (2) purchasing equipment or library materials;

6-37 (3) paying graduate stipends; ~~and~~

6-38 (4) supporting research performed at the institution,
6-39 including undergraduate research;

6-40 (5) increasing technology transfer,
6-41 commercialization, and patent development; and

6-42 (6) increasing the number of research doctoral
6-43 graduates in this state.

6-44 SECTION 19. Subchapter G, Chapter 62, Education Code, is
6-45 amended by adding Sections 62.150, 62.151, and 62.152 to read as
6-46 follows:

6-47 Sec. 62.150. INSTITUTIONAL ENDOWMENT REPORTING. (a) In
6-48 this section, "institutional endowment fund" means a fund
6-49 established to support a general academic teaching institution's
6-50 mission in perpetuity.

6-51 (b) For purposes of reporting the amount of an institution's
6-52 institutional endowment funds, each eligible institution may
6-53 include as a true endowment, in accordance with coordinating board
6-54 rule, the institution's share of the market value of the fund
6-55 corresponding to the share of the permanent endowment for education
6-56 and research base funding to which the institution is entitled for a
6-57 state fiscal year as provided by Section 62.1481.

6-58 Sec. 62.151. DETERMINATION AND REPORT OF AMOUNT OF
6-59 DISTRIBUTIONS. For each state fiscal biennium, the Legislative
6-60 Budget Board, in consultation with the coordinating board, shall:

6-61 (1) determine the amount of each distribution from the
6-62 fund to which each eligible institution is entitled as provided by
6-63 this subchapter; and

6-64 (2) report the determinations made under Subdivision
6-65 (1) to the legislature and the comptroller.

6-66 Sec. 62.152. RULES. The coordinating board may adopt rules
6-67 as necessary to implement this subchapter.

6-68 SECTION 20. The following provisions of Chapter 62,
6-69 Education Code, are repealed:

- 7-1 (1) Sections 62.096(a), (b), and (e);
- 7-2 (2) Section 62.135(b);
- 7-3 (3) Section 62.142(2);
- 7-4 (4) Sections 62.146 and 62.147; and
- 7-5 (5) Sections 62.148(d), (e), and (f).

7-6 SECTION 21. This Act takes effect September 1, 2023.

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