

By: Perry

S.B. No. 1058

A BILL TO BE ENTITLED

AN ACT

relating to the university research fund and eligibility to receive money from the national research university fund.

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

SECTION 1. Chapter 62, Education Code, is amended by adding Subchapter J to read as follows:

SUBCHAPTER J. UNIVERSITY RESEARCH FUND

Sec. 62.201. PURPOSE. The purpose of this subchapter is to allocate appropriations from the university research fund to provide a dedicated, independent, and equitable source of funding to enable emerging research universities in The University of Texas System or The Texas A&M University System to achieve national prominence as major research universities.

Sec. 62.202. DEFINITIONS. In this subchapter:

(1) "Eligible institution" means a general academic teaching institution in The University of Texas System or The Texas A&M University System that is eligible to receive distributions of money under this subchapter.

(2) "Endowment funds" means funds treated as endowment funds under the coordinating board's accountability system.

(3) "Fund" means the university research fund.

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

Sec. 62.203. ADMINISTRATION AND INVESTMENT OF FUND. (a)

1 The university research fund is a fund outside the state treasury in
2 the custody of the comptroller.

3 (b) The comptroller shall administer and invest the fund in
4 accordance with Section 21, Article VII, Texas Constitution.

5 Sec. 62.204. FUNDING. (a) The fund consists of any amounts
6 appropriated or transferred to the credit of the fund under the
7 Texas Constitution or otherwise appropriated or transferred to the
8 credit of the fund under this section or another law.

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

12 (c) The comptroller may accept gifts or grants from any
13 public or private source for the fund.

14 Sec. 62.205. ELIGIBILITY TO RECEIVE DISTRIBUTIONS FROM
15 FUND. (a) A general academic teaching institution in The
16 University of Texas System or The Texas A&M University System
17 becomes eligible to receive an initial distribution of money
18 appropriated under this subchapter for a state fiscal year if:

19 (1) the institution is designated as an emerging
20 research university under the coordinating board's accountability
21 system;

22 (2) in each of the two state fiscal years preceding the
23 state fiscal year for which the appropriation is made, the
24 institution expended at least \$45 million in restricted research
25 funds; and

26 (3) the institution satisfies at least four of the
27 following criteria:

1 (A) the value of the institution's endowment
2 funds is at least \$400 million in each of the two state fiscal years
3 preceding the state fiscal year for which the appropriation is
4 made;

5 (B) the institution awarded at least 200 doctor
6 of philosophy degrees during each of the two academic years
7 preceding the state fiscal year for which the appropriation is
8 made;

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

15 (D) the institution is designated as a member of
16 the Association of Research Libraries or has a Phi Beta Kappa
17 chapter or has received an equivalent recognition of research
18 capabilities and scholarly attainment as determined according to
19 standards prescribed by coordinating board rule;

20 (E) the faculty of the institution for each of
21 those two academic years was of high quality, as determined
22 according to coordinating board standards based on the professional
23 achievement and recognition of the institution's faculty,
24 including the election of faculty members to national academies;
25 and

26 (F) for each of those two academic years, the
27 institution has demonstrated a commitment to high-quality graduate

1 education, as determined according to standards prescribed by
2 coordinating board rule, including standards relating to the number
3 of graduate-level programs at the institution, the institution's
4 admission standards for graduate programs, and the level of
5 institutional support for graduate students.

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

10 Sec. 62.206. ACCOUNTING STANDARDS; VERIFICATION OF
11 INFORMATION. (a) The coordinating board by rule shall prescribe
12 standard methods of accounting and standard methods of reporting
13 information for the purpose of determining:

14 (1) the eligibility of institutions under Section
15 62.205; and

16 (2) the amount of restricted research funds expended
17 by an eligible institution in a state fiscal year.

18 (b) As soon as practicable in each state fiscal year, based
19 on information submitted by the institutions to the coordinating
20 board as required by the coordinating board, the coordinating board
21 shall certify to the comptroller and the legislature verified
22 information relating to the criteria established by Section 62.205
23 to be used to determine which institutions are eligible for
24 distributions of money from the fund.

25 (c) Information submitted to the coordinating board by
26 institutions for purposes of establishing eligibility under this
27 subchapter and the coordinating board's certification or

1 verification of that information under this section are subject to
2 a mandatory audit by the state auditor in accordance with Chapter
3 321, Government Code. The coordinating board may also request one
4 or more audits by the state auditor as necessary or appropriate at
5 any time after an eligible institution begins receiving
6 distributions under this subchapter. Each audit must be based on an
7 examination of all or a representative sample of the restricted
8 research funds awarded to the institution and the institution's
9 expenditures of those funds, and must include, among other
10 elements:

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

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

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

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

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

27 Sec. 62.207. DISTRIBUTION OF APPROPRIATED FUNDS TO ELIGIBLE

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

4 (b) The total amount appropriated from the fund for any
5 state fiscal year may not exceed an amount equal to 4.5 percent of
6 the average net market value of the investment assets of the fund
7 for the 12 consecutive state fiscal quarters ending with the last
8 quarter of the preceding state fiscal year, as determined by the
9 comptroller.

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

14 (1) one-seventh of the total amount
15 appropriated; and

16 (2) an equal share of any amount remaining after
17 distributions are calculated under Subdivision (1), not to exceed
18 an amount equal to one-fourth of that remaining amount.

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

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

1 year.

2 (f) For purposes of this section, the total amount
3 appropriated from the fund for distribution in a state fiscal year
4 does not include any portion of the amount appropriated that is used
5 to reimburse the costs of an audit conducted under Section
6 62.206(c).

7 Sec. 62.208. USE OF ALLOCATED AMOUNTS. (a) An eligible
8 institution may use money received under this subchapter only for
9 the support and maintenance of educational and general activities
10 that promote increased research capacity at the institution.

11 (b) For purposes of Subsection (a), the use of money shall
12 be limited to the following permitted activities:

13 (1) providing faculty support and paying faculty
14 salaries;

15 (2) purchasing equipment or library materials;

16 (3) paying graduate stipends; and

17 (4) supporting research performed at the institution,
18 including undergraduate research.

19 (c) Money received in a fiscal year by an eligible
20 institution under this subchapter that is not used in that fiscal
21 year by the institution may be held and used by the institution in
22 subsequent fiscal years for the purposes prescribed by this
23 section.

24 SECTION 2. Section 62.003(1), Education Code, is amended to
25 read as follows:

26 (1) Except as otherwise provided by Subchapters C, D,
27 E, F, G, ~~and~~ I, and (J), "eligible institution" means the eligible

1 agencies and institutions of higher education listed in Article
2 VII, Section 17(b), of the Constitution of Texas, and any
3 institution or agency of higher education that is later made
4 eligible to participate in the disbursement of funds pursuant to
5 Article VII, Section 17(c), of the Constitution of Texas.

6 SECTION 3. Section 62.147, Education Code, is amended to
7 read as follows:

8 Sec. 62.147. INELIGIBILITY OF INSTITUTIONS IN THE
9 UNIVERSITY OF TEXAS SYSTEM OR THE TEXAS A&M UNIVERSITY SYSTEM
10 [RECEIVING PERMANENT UNIVERSITY FUND SUPPORT AND MAINTENANCE]. A
11 component institution of The University of Texas System or The [at
12 Austin and] Texas A&M University System is [are] ineligible to
13 receive money under this subchapter.

14 SECTION 4. Section 62.147, Education Code, as amended by
15 this Act, applies beginning with money distributed from the
16 national research university fund for the state fiscal year
17 beginning September 1, 2025.

18 SECTION 5. This Act takes effect September 1, 2023, but only
19 if the constitutional amendment proposed by the 88th Legislature,
20 Regular Session, 2023, creating a university research fund for
21 emerging research universities in The University of Texas System or
22 The Texas A&M University System and disqualifying all component
23 institutions of those university systems from receiving money from
24 the national research university fund is approved by the voters. If
25 that amendment is not approved by the voters, this Act has no
26 effect.