

BILL ANALYSIS

C.S.H.B. 51
By: Branch
Higher Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Although Texas is home to three universities of Tier One status: Rice University, Texas A&M, and The University of Texas at Austin, Texas students have fewer local options than other states with comparably sized populations and economies, such as California and New York. In order for Texas to remain competitive in the global race for intellectual talent, ideas, and economic advancement, it is necessary to support the state's emerging research universities' work to reach Tier One status.

C.S.H.B. 51 establishes the research university development fund to provide funding to eligible institutions for the enhancement of research productivity to enable those institutions to achieve national prominence as major research universities. The bill establishes the Texas Research Incentive Program (TRIP) to provide matching funds to assist eligible institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment. The bill establishes the national research university benchmark fund to provide funding to incentivize the enhancement of emerging research universities by rewarding those universities that meet critical benchmarks toward achieving national prominence as major research universities.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Higher Education Coordinating Board in SECTIONS 1 and 2 of this bill.

ANALYSIS

C.S.H.B. 51 amends the Education Code to establish the research university development fund to provide funding to eligible institutions for the enhancement of research productivity to enable those institutions to achieve national prominence as major research universities. The bill defines an "eligible institution" as an emerging research university, and defines an "emerging research university" as an institution of higher education determined by the Texas Higher Education Coordinating Board to be a research university that has demonstrated a commitment to developing and maintaining degree and research programs that support the institution's mission and its efforts to improve its ranking among research universities. The bill requires the board, for each fiscal year, to distribute the funds appropriated by the legislature, and any other funds made available, for such purpose among eligible institutions in proportion to the total amount of restricted research funds expended by each institution in the two most recent state fiscal years. The bill sets forth that the restricted research fund amount expended by an institution in a state fiscal year is the amount reported to the board by the institution for that year, subject to certain adjustments by the board. The bill authorizes an institution to use the money received only for the support and maintenance of educational and general activities that promote increased research capacity at the institution. The bill requires the board to adopt rules for the administration of the research university development fund, including rules requiring institutions to report necessary information to the board. The bill defines "program" for the purpose of these provisions.

C.S.H.B. 51 establishes the Texas Research Incentive Program (TRIP) and requires the board to administer the program to provide matching funds to assist institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment. The bill entitles an institution that receives cash gifts in a state fiscal year from private sources for the purpose of enhancing research activities at the institution to receive a matching grant, out of funds appropriated for the program for that fiscal year, according to the following rates: 50 percent of the total amount of the gifts received, if the total amount of those gifts is \$100,000 or more but not more than \$999,999; 75 percent of the total amount of the gifts received, if the total amount of those gifts is \$1 million or more but not more than \$1,999,999; or 100 percent of the total amount of the gifts received, if the total amount of those gifts is \$2 million or more. The bill provides that an institution is not entitled to matching funds under the program for an in-kind gift; a gift that has been pledged but not received; a gift for undergraduate scholarships, grants, or other financial aid; or any portion of gifts received by the institution from a single source in a state fiscal year in excess of \$10 million. The bill requires the board to establish procedures for board certification of an eligible institution's receipt of a qualifying gift. The bill requires a gift to be certified as of the date the gift was deposited or invested by the institution. The bill requires the board, if the funds appropriated for the program for a state fiscal year are insufficient to provide matching grants for all qualifying private gifts received by institutions during that fiscal year, to provide matching grants for those gifts in order of their certification dates and to provide matching grants for any remaining unmatched gifts in the following fiscal year. The bill requires unmatched gifts carried forward from a preceding fiscal year to be given priority over gifts received in the current fiscal year and to be provided matching grants in order of their certification dates. The bill requires an unmatched gift to continue to be carried forward to subsequent fiscal years until a matching grant is awarded for the gift. The bill prohibits a matching grant from being considered as a basis to reduce, directly or indirectly, the amount of money otherwise appropriated or allocated to the institution. The bill authorizes an institution to use matching grant money for the same purpose as that for which the matched gift was received or for the support and maintenance of educational and general activities that promote increased research capacity at the institution. The bill requires the board to adopt rules for the administration of the program, including rules requiring institutions to report necessary information to the board.

C.S.H.B. 51 establishes the national research university benchmark fund to provide funding to incentivize the enhancement of emerging research universities by rewarding those universities that meet critical benchmarks toward achieving national prominence as major research universities. The bill requires the board to distribute the funds appropriated by the legislature for such purposes, and any other funds available, among institutions in proportion to the total number of points assigned to each institution for that fiscal year. The bill requires, if the allocations for institutions calculated would result in the three institutions to which the highest total number of points are assigned receiving a total amount that is less than 80 percent of the total amount available for distribution to all institutions, the total amount of funds available for distribution for that fiscal year to be distributed with: 80 percent being distributed among the three institutions receiving the highest total number of points for that fiscal year in proportion to the total number of points assigned to each of those institutions and the remainder of those funds being distributed among the remaining institutions in proportion to the total number of points assigned to each of those institutions for that fiscal year.

C.S.H.B. 51 assigns the following points to each eligible institution for a fiscal year based on information submitted to the board by each institution for each of the two fiscal years immediately preceding the fiscal year for which the funds are distributed:

- one point if the institution's library was a member of the Association of Research Libraries in each of those years;
- one point if the institution had a chapter of Phi Beta Kappa in each of those years;
- one point if the institution employed at least three but fewer than eight tenured faculty members or full-time employees who are Nobel Prize Laureates or who have been

- elected to a national academy in each of those years;
- two points if the institution employed at least eight tenured faculty members or full-time equivalent employees who are Nobel Prize Laureates or who have been elected to a national academy in each of those years;
- one point if the institution awarded at least 200 but fewer than 300 doctor of philosophy degrees in each of those years;
- two points if the institution awarded at least 300 doctor of philosophy degrees in each of those years;
- one point if the institution expended at least \$45 million but less than \$75 million in restricted research funds in each of those years;
- two points if the institution expended \$75 million or more in restricted research funds in each of those years;
- one point if the total amount of the institution's restricted research expenditures in each of those years divided by the total number of full-time tenured and tenure-track faculty members employed by the institution in the same year is at least \$75,000 but less than \$125,000;
- two points if the total amount of the institution's restricted research expenditures in each of those years divided by the total number of full-time tenured and tenure-track faculty members employed by the institution in the same year is \$125,000 or more;
- one point if the average score on the Scholastic Assessment Test (SAT) of entering freshman students at the institution for each of those years is at least 95 percent of the average SAT score of entering freshman students at Texas A&M University and The University of Texas at Austin for the same year or at least 35 percent of entering freshman students at the institution in each of those years graduated in the top 10 percent of the student's high school graduating class; and
- one point if the aggregate value of the institution's endowment funds for educational and general use is at least \$500 million for each of those years.

C.S.H.B. 51 authorizes a faculty member or other employee who is a Nobel Prize Laureate or who has been elected to a national academy to be counted only once for a particular year. The bill provides that the amount of restricted research funds expended by an institution in a fiscal year is the amount of those funds as reported to the board by the institution for that year subject to certain adjustments by the board. The bill requires an institution that receives benefits from the permanent university fund to be assigned, as part of the aggregate value of the institution's endowment funds for educational and general use, an amount equal to the total amount of expenditures made on behalf of the institution from the available university fund for the preceding 10 state fiscal years. The bill requires the board to adopt rules for the administration of this fund, including rules requiring institutions to report necessary information to the board.

C.S.H.B. 51 requires the board to adopt rules relating to the administration of the research university development fund, the Texas Research Incentive Program, and the national research university benchmark fund as soon as practicable after the effective date of this bill.

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 51 differs from the original by replacing a statute section added to the Education Code by the original establishing the Research University Development Program, to be administered by the Texas Higher Education Coordinating Board for the purpose of providing funding and other assistance to emerging research universities. The provisions in the original, replaced as described below by the substitute, authorized the board to match certain money received by an eligible institution in connection with a research grant, money committed by the institution to recruit or retain certain faculty or research staff, and gifts or grants made or pledged to the

institution to promote the program's purposes; authorized the board to award matching grants to support scholarships and other merit-based financial aid for undergraduate students, graduate fellowships, faculty professorships or chairs, research support, and recruitment and retention of certain students. The substitute also removes a statute section added by the original that required the board to determine an appropriate amount to adequately fund the research university development program for the following state fiscal biennium and to make funding recommendations to the governor and Legislative Budget Board.

C.S.H.B. 51 differs from the original by replacing the statute section described above with three subchapters to the Education Code establishing the Research University Development Fund, the Texas Research Incentive Program (TRIP), and the National Research University Benchmark Fund, with each subchapter establishing related funding provisions and requiring the coordinating board to adopt rules for the administration of the chapters' specific provisions and rules establishing reporting requirements. The subchapters added by the substitute establishing the two funds also specify the purpose of each fund and provide procedures or requirements for the distribution of funds to eligible institutions. The subchapter added by the substitute establishing the incentive program sets out requirements for determining the amount of matching grants each eligible institution is entitled to receive.

C.S.H.B. 51 differs from the original by adding a provision requiring the coordinating board to adopt rules relating to the administration of the three added subchapters as soon as practicable after September 1, 2009.

C.S.H.B. 51 differs from the original by providing an effective date of September 1, 2009, whereas the original provided for immediate effect, contingent on the bill's receiving the necessary two-thirds vote in each house of the legislature.