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H.B. No. 51

A BILL TO BE ENTITLED

AN ACT

relating to funding and incentives to support emerging public
research universities in developing and maintaining programs of the
highest tier.

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

SECTION 1. The heading to Chapter 62, Education Code, is
amended to read as follows:

CHAPTER 62. CONSTITUTIONAL AND STATUTORY [~~DIVISION OF~~
~~CONSTITUTIONALLY APPROPRIATED~~] FUNDS TO SUPPORT [~~AMONG CERTAIN~~
INSTITUTIONS OF HIGHER EDUCATION[~~, RESEARCH DEVELOPMENT FUND~~]

SECTION 2. Chapter 62, Education Code, is amended by adding
Subchapters C and D to read as follows:

SUBCHAPTER C. RESEARCH UNIVERSITY DEVELOPMENT FUND

Sec. 62.051. DEFINITIONS. In this subchapter:

(1) "Eligible institution" means an emerging research
university.

(2) "Emerging research university" means an
institution of higher education that the coordinating board
determines:

(A) is a research university as that term is
commonly used in classifying or ranking institutions of higher
education; and

(B) has demonstrated a commitment to developing
and maintaining degree and research programs that support the

1 mission of the institution and the institution's efforts to improve
2 its ranking among research universities.

3 (3) "Institution of higher education" has the meaning
4 assigned by Section 61.003.

5 Sec. 62.052. PURPOSE. The purpose of this subchapter is to
6 provide funding to eligible institutions for the enhancement of
7 research productivity to enable those institutions to achieve
8 national prominence as major research universities.

9 Sec. 62.053. FUNDING. (a) For each state fiscal year, the
10 comptroller shall distribute any funds appropriated by the
11 legislature for the purposes of this subchapter, and any other
12 funds made available for the purposes of this subchapter, among
13 eligible institutions in proportion to the total amount of
14 restricted research funds expended by each institution in the two
15 most recent state fiscal years.

16 (b) For purposes of Subsection (a), the amount of restricted
17 research funds expended by an eligible institution in a state
18 fiscal year is the amount of those funds as reported to the
19 coordinating board by the institution for that year, subject to any
20 adjustment by the coordinating board in accordance with the
21 standards and accounting methods the coordinating board prescribes
22 for purposes of this section.

23 (c) The legislature may not appropriate money for purposes
24 of this subchapter in a state fiscal year unless the legislature
25 appropriates an equal amount of money for that fiscal year for the
26 Texas Research Incentive Program under Subchapter D.

27 Sec. 62.054. USE OF ALLOCATED AMOUNTS. An eligible

1 institution may use money received under this subchapter only for
2 the support and maintenance of educational and general activities
3 that promote increased research capacity at the institution.

4 Sec. 62.055. RULES. The coordinating board shall adopt
5 rules for the administration of this subchapter, including rules
6 requiring eligible institutions to report necessary information to
7 the coordinating board.

8 SUBCHAPTER D. TEXAS RESEARCH INCENTIVE PROGRAM (TRIP)

9 Sec. 62.071. DEFINITIONS. In this subchapter:

10 (1) "Eligible institution" means an emerging research
11 university.

12 (2) "Emerging research university" means an
13 institution of higher education that the coordinating board
14 determines:

15 (A) is a research university as that term is
16 commonly used in classifying or ranking institutions of higher
17 education; and

18 (B) has demonstrated a commitment to developing
19 and maintaining degree and research programs that support the
20 mission of the institution and the institution's efforts to improve
21 its ranking among research universities.

22 (3) "Institution of higher education" has the meaning
23 assigned by Section 61.003.

24 (4) "Program" means the Texas Research Incentive
25 Program (TRIP) established under this subchapter.

26 Sec. 62.072. PROGRAM ADMINISTRATION. (a) The coordinating
27 board shall administer the Texas Research Incentive Program (TRIP)

1 in accordance with this subchapter to provide matching funds to
2 assist eligible institutions in leveraging private gifts for the
3 enhancement of research productivity and faculty recruitment. The
4 comptroller shall deliver any payment of matching funds to which an
5 eligible institution is entitled under the program.

6 (b) The legislature may not appropriate money for purposes
7 of this subchapter in a state fiscal year unless the legislature
8 appropriates an equal amount of money for that fiscal year for the
9 research university development fund under Subchapter C.

10 Sec. 62.073. MATCHING GRANTS. (a) An eligible institution
11 that receives cash gifts from private sources in a state fiscal year
12 for the purpose of enhancing research activities at the
13 institution, including gifts for endowments or endowed chairs or
14 professorships, research or academic facilities, equipment,
15 program costs, or graduate stipends or fellowships, is entitled to
16 receive, out of funds appropriated for the purposes of the program
17 for that fiscal year, a matching grant in an amount determined
18 according to the following rates:

19 (1) 50 percent of the total amount of the gifts
20 received, if the total amount of those gifts is \$100,000 or more but
21 not more than \$999,999;

22 (2) 75 percent of the total amount of the gifts
23 received, if the total amount of those gifts is \$1 million or more
24 but not more than \$1,999,999; or

25 (3) 100 percent of the total amount of the gifts
26 received, if the total amount of those gifts is \$2 million or more.

27 (b) An eligible institution is not entitled to matching

1 funds under the program for:

2 (1) an in-kind gift;

3 (2) a gift that has been pledged but has not been
4 received by the institution;

5 (3) a gift for undergraduate scholarships, grants, or
6 other financial aid; or

7 (4) any portion of gifts received by the institution
8 from a single source in a state fiscal year in excess of \$10
9 million.

10 (c) The coordinating board shall establish procedures for
11 the certification by the coordinating board of an eligible
12 institution's receipt of a qualifying gift. A gift must be
13 certified as of the date the gift was deposited by the institution
14 in a depository bank or invested by the institution as authorized by
15 law.

16 (d) If the funds appropriated for the program for a state
17 fiscal year are insufficient to provide matching grants in the
18 amounts specified by this section for all qualifying private gifts
19 received by eligible institutions during that fiscal year, the
20 coordinating board shall authorize matching grants for those gifts
21 in order of their certification dates under Subsection (c) and
22 shall authorize matching grants for any remaining unmatched gifts
23 in the following fiscal year. Unmatched gifts carried forward from
24 a preceding fiscal year under this subsection shall be given
25 priority over gifts received in the current fiscal year, and shall
26 be provided matching grants under this section in order of their
27 certification dates. An unmatched gift shall continue to be

1 carried forward to subsequent fiscal years until a matching grant
2 is awarded for the gift.

3 (e) Matching grants received by an eligible institution
4 under this section may not be considered as a basis to reduce,
5 directly or indirectly, the amount of money otherwise appropriated
6 or allocated to the institution under any other law.

7 Sec. 62.074. USE OF MATCHING GRANTS. An eligible
8 institution may use matching grant money received under this
9 subchapter for the same purpose as that for which the matched gift
10 was received or for the support and maintenance of educational and
11 general activities that promote increased research capacity at the
12 institution.

13 Sec. 62.075. RULES. The coordinating board shall adopt
14 rules for the administration of this subchapter, including rules
15 requiring eligible institutions to report necessary information to
16 the coordinating board.

17 SECTION 3. Chapter 62, Education Code, is amended by adding
18 Subchapter F to read as follows:

19 SUBCHAPTER F. NATIONAL RESEARCH UNIVERSITY FUND

20 Sec. 62.121. PURPOSE. The purpose of this subchapter is to
21 allocate appropriations from the national research university fund
22 to provide a dedicated, independent, and equitable source of
23 funding to enable emerging research universities in this state to
24 achieve national prominence as major research universities.

25 Sec. 62.122. DEFINITIONS. In this subchapter:

26 (1) "Eligible institution" means a general academic
27 teaching institution that is eligible to receive distributions of

1 money under this subchapter.

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

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

6 Sec. 62.123. ADMINISTRATION AND INVESTMENT OF FUND. (a)
7 The national research university fund is a fund outside the state
8 treasury in the custody of the comptroller.

9 (b) The comptroller shall administer and invest the fund in
10 accordance with Section 20, Article VII, Texas Constitution.

11 Sec. 62.124. FUNDING. (a) The fund consists of any
12 amounts appropriated or transferred to the credit of the fund under
13 the Texas Constitution or otherwise appropriated or transferred to
14 the credit of the fund under this section or another law.

15 (b) The comptroller shall deposit to the credit of the fund
16 all interest, dividends, and other income earned from investment of
17 the fund.

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

20 Sec. 62.125. ELIGIBILITY TO RECEIVE DISTRIBUTIONS FROM
21 FUND. (a) A general academic teaching institution is eligible to
22 receive a distribution of money under this subchapter for each year
23 of a state fiscal biennium if:

24 (1) the institution is designated as an emerging
25 research university under the coordinating board's accountability
26 system;

27 (2) in each of the two state fiscal years preceding the

1 state fiscal biennium, the institution expended at least \$45
2 million in restricted research funds; and

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

5 (A) the aggregate value of the institution's
6 endowment funds is at least \$400 million;

7 (B) the institution awarded at least 200 doctor
8 of philosophy degrees during each of the two academic years
9 preceding the state fiscal biennium;

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

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

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

27 (F) the institution has demonstrated a

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

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

11 Sec. 62.126. ACCOUNTING STANDARDS; VERIFICATION OF
12 INFORMATION. (a) The coordinating board, in consultation with the
13 State Auditor's Office, by rule shall prescribe standard methods of
14 accounting and standard methods of reporting information for the
15 purpose of determining the eligibility of institutions under
16 Section 62.125.

17 (b) As soon as practicable in each even-numbered year, based
18 on information submitted by the institutions to the coordinating
19 board as required by the coordinating board, the coordinating board
20 shall certify to the comptroller the institutions that are
21 determined to be initially eligible for distributions of money from
22 the fund for the following state fiscal biennium.

23 (c) At the request of the coordinating board, the State
24 Auditor's Office shall verify the information supporting the
25 coordinating board's determination under Subsection (b).

26 Sec. 62.127. INELIGIBILITY OF INSTITUTIONS RECEIVING
27 PERMANENT UNIVERSITY FUND SUPPORT AND MAINTENANCE. The University

1 of Texas at Austin, Texas A&M University, and Prairie View A&M
2 University are ineligible to receive money under this subchapter.

3 Sec. 62.128. ALLOCATION OF APPROPRIATED FUNDS TO ELIGIBLE
4 INSTITUTIONS. In each state fiscal year, the comptroller shall
5 distribute to eligible institutions the total amount appropriated
6 from the fund for that fiscal year. The amount allocated to the
7 eligible institutions shall be based on an equitable formula
8 adopted by the legislature to carry out the purposes of the fund as
9 established by Section 20, Article VII, Texas Constitution. In
10 adopting the allocation formula, the legislature shall consider the
11 recommendations of the coordinating board, including
12 recommendations on the appropriate elements and relative weights of
13 elements of the formula.

14 Sec. 62.129. USE OF ALLOCATED AMOUNTS. (a) An eligible
15 institution may use money received under this subchapter only for
16 the support and maintenance of educational and general activities
17 that promote increased research capacity at the institution.

18 (b) For purposes of Subsection (a), permitted activities
19 include the use of the money to:

- 20 (1) provide faculty support and pay faculty salaries;
21 (2) purchase equipment or library materials;
22 (3) pay graduate stipends; and
23 (4) support research performed at the institution,
24 including undergraduate research.

25 (c) Money received in a fiscal year by an institution under
26 this subchapter that is not used in that fiscal year by the
27 institution may be held and used by the institution in subsequent

1 fiscal years for the purposes prescribed by this section.

2 SECTION 4. Section 62.094, Education Code, is amended to
3 read as follows:

4 Sec. 62.094. FUNDING. (a) The research development fund
5 consists of the [~~amount deposited to the credit of the fund under~~
6 ~~Section 62.025 in each state fiscal year, the amount appropriated~~
7 ~~or transferred to the credit of the fund by the legislature under~~
8 ~~Subsection (b), and any other~~] amounts appropriated or transferred
9 to the credit of the fund under this section or other law.

10 (b) [~~In each state fiscal year, the legislature may~~
11 ~~appropriate or provide for the transfer to the credit of the~~
12 ~~research development fund of an amount not less than the amount~~
13 ~~deposited to the credit of the fund under Section 62.025 in that~~
14 ~~fiscal year.~~

15 [~~(c)~~] The comptroller shall deposit all interest,
16 dividends, and other income earned from investment of the research
17 development fund to the credit of the fund.

18 (c) [~~(d)~~] The comptroller may accept gifts or grants from
19 any public or private source for the research development fund.

20 SECTION 5. Sections 62.025 and 62.026, Education Code, are
21 repealed.

22 SECTION 6. The Texas Higher Education Coordinating Board
23 shall adopt rules relating to the administration of Subchapters C,
24 D, and F, Chapter 62, Education Code, as added by this Act, as soon
25 as practicable after the effective date of this Act.

26 SECTION 7. (a) Except as provided by Subsection (b) of this
27 section, this Act takes effect September 1, 2009.

1 (b) Sections 3, 4, and 5 of this Act take effect January 1,
2 2010, but only if the constitutional amendment proposed by the 81st
3 Legislature, Regular Session, 2009, establishing the national
4 research university fund to enable emerging research universities
5 in this state to achieve national prominence as major research
6 universities and transferring the balance of the higher education
7 fund to the national research university fund is approved by the
8 voters. If that constitutional amendment is not approved by the
9 voters, Sections 3, 4, and 5 of this Act do not take effect.