

By: Duncan, et al.

S.B. No. 1560

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to university funding, including university funding for  
3 excellence, the national research university fund, the abolition of  
4 the higher education fund, and the institutional groupings  
5 established by the Texas Higher Education Coordinating Board.

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

7 SECTION 1. Section 61.059, Education Code, is amended by  
8 adding Subsection (o) to read as follows:

9 (o) In addition to the other funding recommendations  
10 required by this section, biennially the board shall determine the  
11 amount that the board considers appropriate for purposes of  
12 providing funding under Section 61.0596 in the following state  
13 fiscal biennium to carry out the purposes of that section and shall  
14 make recommendations to the governor and the Legislative Budget  
15 Board for funding those programs in that biennium. To the extent  
16 the board considers appropriate, the board may include in the  
17 formulas established under this section the funding to be provided  
18 under Section 61.0596.

19 SECTION 2. Subchapter C, Chapter 61, Education Code, is  
20 amended by adding Section 61.0596 to read as follows:

21 Sec. 61.0596. UNIVERSITY FUNDING FOR EXCELLENCE IN SPECIFIC  
22 PROGRAMS AND FIELDS; INCENTIVE GRANTS. (a) The board shall  
23 administer this section to encourage and assist general academic  
24 teaching institutions, other than public state colleges, that are

1 not research universities or emerging research universities  
2 according to the institutional groupings under the board's higher  
3 education accountability system to develop and maintain specific  
4 programs or fields of study of the highest national rank or  
5 recognition for that type of program or field.

6 (b) To assist the institution in achieving the highest  
7 national rank or recognition for the applicable degree program and  
8 from money available for the purpose, the board shall award  
9 incentive grants to general academic teaching institutions  
10 described by Subsection (a) that the board considers to have  
11 demonstrated the greatest commitment to success in developing or  
12 improving, consistent with the mission of the institution, the  
13 quality of an existing degree program designated by the  
14 institution. An institution must use a grant under this subsection  
15 for faculty recruitment or other faculty support with respect to  
16 the designated degree program for which the grant is awarded,  
17 including establishment of endowed faculty positions or  
18 enhancement of faculty compensation as considered appropriate by  
19 the institution.

20 (c) An institution may designate only one degree program at  
21 a time for consideration for new funding under Subsection (b). The  
22 institution may change its designation with the consent of the  
23 board. If the board determines that an institution has met all the  
24 applicable benchmarks for the institution's designated program,  
25 the institution may designate another degree program for  
26 consideration for new funding under Subsection (b).

27 (d) The board shall establish a series of benchmarks

1 applicable to each degree program designated by an institution  
2 under this section. The institution becomes eligible for funding  
3 under Subsection (b) for each benchmark the board determines that  
4 the institution has met. The board shall establish the amount of  
5 funding for each benchmark met in a manner that provides an  
6 effective incentive to assist the institution to continue its  
7 efforts to meet the remaining benchmarks for its designated  
8 program.

9 (e) Unless the board determines that a different number of  
10 benchmarks is appropriate, the board shall establish three  
11 benchmarks for each designated degree program. The board shall  
12 identify one or more persons who have relevant expertise and do not  
13 reside in this state to assist the board in establishing the  
14 benchmarks and associated funding levels for each type of degree  
15 program designated by an institution under this section.

16 (f) An institution that designates a degree program to  
17 receive funding under Subsection (b) shall reimburse the board for  
18 the costs incurred by the board in administering this section with  
19 respect to the institution's designated program.

20 (g) In addition to supporting the programs designated by  
21 institutions for consideration to receive incentive grants under  
22 Subsection (b), from money available for the purpose, the board  
23 shall provide additional money as the board determines appropriate  
24 to assist the institutions described by Subsection (a) in  
25 maintaining the excellence of programs or fields of study that have  
26 achieved the highest national ranking or recognition for that type  
27 of program or field.

1       (h) The legislature may not appropriate money for grants or  
2 other financial assistance to general academic teaching  
3 institutions under this section before the board certifies that one  
4 or more institutions have met at least one of the benchmarks  
5 established by the board for the institutions' designated degree  
6 programs under Subsection (d).

7       SECTION 3. Subchapter C, Chapter 61, Education Code, is  
8 amended by adding Section 61.0904 to read as follows:

9       Sec. 61.0904. INSTITUTIONAL GROUPINGS. (a) In its  
10 accountability system, the board shall establish institutional  
11 groupings for classification of institutions of higher education,  
12 including groupings for research universities, emerging research  
13 universities, doctoral universities, comprehensive universities,  
14 and masters universities.

15       (b) In each state fiscal biennium, the board shall conduct a  
16 review of the institutional groupings, including a review of the  
17 criteria for and definitions assigned to those groupings.

18       SECTION 4. The heading to Chapter 62, Education Code, is  
19 amended to read as follows:

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

23       SECTION 5. Chapter 62, Education Code, is amended by adding  
24 Subchapter D to read as follows:

25       SUBCHAPTER D. NATIONAL RESEARCH UNIVERSITY FUND

26       Sec. 62.071. PURPOSE. The purpose of this subchapter is to  
27 allocate appropriations from the national research university fund

1 to provide a dedicated, independent, and equitable source of  
2 funding to enable emerging research universities in this state to  
3 achieve national prominence as major research universities.

4 Sec. 62.072. DEFINITIONS. In this subchapter:

5 (1) "Coordinating board" means the Texas Higher  
6 Education Coordinating Board.

7 (2) "Eligible institution" means a general academic  
8 teaching institution that is eligible to receive distributions of  
9 money under this subchapter.

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

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

14 Sec. 62.073. ADMINISTRATION AND INVESTMENT OF FUND.

15 (a) The national research university fund is a fund outside the  
16 state treasury in the custody of the comptroller.

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

19 Sec. 62.074. FUNDING. (a) The fund consists of any  
20 amounts appropriated or transferred to the credit of the fund under  
21 the Texas Constitution or otherwise appropriated or transferred to  
22 the credit of the fund under this section or another law.

23 (b) The comptroller shall deposit to the credit of the fund  
24 all interest, dividends, and other income earned from investment of  
25 the fund.

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

1       Sec. 62.075. ELIGIBILITY TO RECEIVE DISTRIBUTIONS FROM  
2 FUND. (a) A general academic teaching institution is eligible to  
3 receive a distribution of money under this subchapter for each year  
4 of a state fiscal biennium if:

5           (1) the institution is designated as an emerging  
6 research university under the coordinating board's accountability  
7 system;

8           (2) in each of the two state fiscal years preceding the  
9 state fiscal biennium, the institution reported at least \$45  
10 million in restricted research expenditures; and

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

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

15                   (B) the institution awarded at least 200 doctor  
16 of philosophy degrees during each of the two academic years  
17 preceding the state fiscal biennium;

18                   (C) the entering freshman class of the  
19 institution for each of those two academic years demonstrated high  
20 academic achievement, as determined according to standards  
21 prescribed by the coordinating board, giving consideration to the  
22 future educational needs of the state as articulated in the  
23 "Closing the Gaps" report of the coordinating board;

24                   (D) the institution is designated as a member of  
25 the Association of Research Libraries or has a Phi Beta Kappa  
26 chapter or an equivalent recognition of research capabilities and  
27 scholarly attainment as determined according to standards

1 prescribed by the coordinating board;

2 (E) the faculty of the institution for each of  
3 those two academic years was of high quality, as determined  
4 according to coordinating board standards based on the professional  
5 achievement and recognition of the institution's faculty,  
6 including but not limited to the election of faculty members to  
7 national academies; or

8 (F) the institution has demonstrated a  
9 commitment to high quality graduate education, as determined  
10 according to standards prescribed by the coordinating board,  
11 including but not limited to the number of graduate-level programs  
12 at the institution, the institution's admission standards for  
13 graduate programs, and the level of institutional support for  
14 graduate students.

15 (b) A general academic teaching institution that becomes  
16 eligible under Subsection (a) to receive a distribution of money  
17 under this subchapter remains eligible to receive a distribution of  
18 money under this subchapter in each subsequent state fiscal year.

19 Sec. 62.076. INELIGIBILITY OF CERTAIN INSTITUTIONS  
20 RECEIVING PERMANENT UNIVERSITY FUND SUPPORT AND MAINTENANCE. The  
21 University of Texas at Austin and Texas A&M University are  
22 ineligible to receive money under this subchapter.

23 Sec. 62.077. ALLOCATION OF APPROPRIATED FUNDS TO ELIGIBLE  
24 INSTITUTIONS. In each state fiscal year, the comptroller shall  
25 distribute to eligible institutions the total amount appropriated  
26 from the fund for that fiscal year. The amount shall be allocated  
27 to the eligible institutions based on an equitable formula adopted

1 by the legislature to carry out the purposes of the fund as  
2 established by Section 20, Article VII, Texas Constitution. The  
3 coordinating board may make recommendations regarding the  
4 equitable formula and may provide assistance regarding the formula  
5 as directed by the legislature.

6 Sec. 62.078. USE OF ALLOCATED AMOUNTS. (a) An eligible  
7 institution may use money received under this subchapter only for  
8 the support and maintenance of educational and general activities  
9 that promote increased research capacity at the institution.

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

- 12 (1) provide faculty support and pay faculty salaries;
- 13 (2) purchase equipment or library materials;
- 14 (3) pay graduate stipends; and
- 15 (4) support research performed at the institution,  
16 including undergraduate research.

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

21 Sec. 62.079. VERIFICATION OF QUALIFYING CRITERIA. (a) The  
22 coordinating board shall prescribe standards and accounting  
23 methods for verifying the value of the qualifying criteria to  
24 establish the eligibility of an institution to receive a  
25 distribution of money under this subchapter in a state fiscal  
26 biennium.

27 (b) The coordinating board, as soon as practicable in each

1 even-numbered year but not later than December 31, shall provide  
2 the legislature with verified information relating to the value of  
3 the criteria to establish which institutions are eligible to  
4 receive a distribution of money under this subchapter.

5 (c) The coordinating board shall validate the appropriate  
6 measures of an eligible institution to verify the reported values  
7 of the criteria for purposes of this subchapter.

8 (d) Upon completion, the methods for verifying the value of  
9 the qualifying criteria prescribed in accordance with Subsection  
10 (a) shall be sent to the state auditor for review and comment.

11 (e) Any information submitted by the institutions to the  
12 coordinating board and the verification of the information by the  
13 coordinating board for the purposes of this subchapter are subject  
14 to audit by the state auditor in accordance with Chapter 321,  
15 Government Code.

16 SECTION 6. Section 62.094, Education Code, is amended to  
17 read as follows:

18 Sec. 62.094. FUNDING. (a) The research development fund  
19 consists of the [~~amount deposited to the credit of the fund under~~  
20 ~~Section 62.025 in each state fiscal year, the amount appropriated~~  
21 ~~or transferred to the credit of the fund by the legislature under~~  
22 ~~Subsection (b), and any other]~~ amounts appropriated or transferred  
23 to the credit of the fund under this section or other law.

24 (b) [~~In each state fiscal year, the legislature may~~  
25 ~~appropriate or provide for the transfer to the credit of the~~  
26 ~~research development fund of an amount not less than the amount~~  
27 ~~deposited to the credit of the fund under Section 62.025 in that~~

1 ~~fiscal year.~~

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

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

7       SECTION 7. Sections 62.025 and 62.026, Education Code, are  
8 repealed.

9       SECTION 8. (a) Except as provided by Subsection (b) of  
10 this section, this Act takes effect January 1, 2010, but only if the  
11 constitutional amendment proposed by the 81st Legislature, Regular  
12 Session, 2009, establishing the national research university fund  
13 to enable emerging research universities in this state to achieve  
14 national prominence as major research universities and  
15 transferring the balance of the higher education fund to the  
16 national research university fund is approved by the voters. If  
17 that constitutional amendment is not approved by the voters, except  
18 as provided by Subsection (b) of this section, this Act does not  
19 take effect.

20       (b) This section takes effect September 1, 2009. The  
21 sections of this Act adding Subsection (o), Section 61.059, and  
22 Section 61.0596, Education Code, take effect September 1, 2009, but  
23 only if a specific appropriation for the implementation of those  
24 provisions of the Education Code is provided in a general  
25 appropriations act of the 81st Legislature.