



# OVERVIEW

## HB 51, 81ST TEXAS LEGISLATURE

HB 51 was a major piece of legislation passed by the 81st Texas Legislature that covered a number of important higher education topics including funding and incentives to emerging research universities, incentives for institutes of undergraduate excellence, conversion of the Higher Education Fund to the National Research University Fund, and the authorization of revenue bonds for certain institutions of higher education. Due to its significance and long-term implications, a section by section summary is provided below.

Text of the entire bill may be found at [www.capitol.state.tx.us](http://www.capitol.state.tx.us). Highlights of the bill include:

- Requires long-term strategic plan for each research and emerging research university;
- Authorizes tuition revenue bonds for renovations related to Hurricane Ike at Texas A&M University at Galveston (\$5 million) and The University of Texas Medical Branch at Galveston (\$150 million);
- Establishes funding criteria as well as incentive grants for excellence programs at universities; requires Coordinating Board to make funding recommendations for this purpose;
- Allocates the annual \$262.5 million from the Higher Education Fund (HEF) to authorized institutions for FY 2011-2015 (funded through general revenue);
- Codifies provision of performance incentive funding to universities based on at-risk student enrollments and graduation rates of students in high-need fields;
- Changes the constitutionally dedicated HEF to the National Research University Fund (NRUF) with approval from voters; specifies criteria for institutions to be eligible for proceeds from the fund to support research;
- In addition to NRUF, creates two other funds to support the development of national research universities:
  - Research University Development Fund (RUDF) based on research expenditures at eligible institutions;
  - Texas Research Incentive Program (TRIP) to match certain gifts and endowments at eligible institutions;
- Creates a select interim committee to be coordinated by the Coordinating Board to study the feasibility of collecting data and maintains a searchable electronic database regarding technology research projects conducted at public universities;

- Directs the Coordinating Board to study and make recommendations regarding the appropriate definitions and categories of research expenditures for eligibility for the RUDF.

## **HB 51 Section-by-Section Analysis**

### **Section 1**

**Long-term strategic plan:** Requires a long-term strategic plan for each institution designated as a research university or emerging research university under the Coordinating Board accountability system to submit a detailed, long-term strategic plan to the Coordinating Board. The plan must document how the institution intends to achieve recognition as a research university or enhance the university's reputation as a research university.

### **Section 2**

**Tuition revenue bonds (TRB):** Authorizes the issuance TRBs to assist with recovery of damages or other impact caused by Hurricane Ike. The Texas A&M University System is authorized to issue an amount not to exceed \$5 million for damages at Texas A&M Galveston, and the University of Texas System is given authority for \$150 million for the University of Texas Medical Branch at Galveston (UTMB-Galveston). Authority includes acquisition, construction, improvement, equipping, etc. of property, buildings, roads, etc. The governing boards of both institutions are given authority to transfer funds among institutions for debt service, subject to the Legislative Budget Board's (LBB) prior approval. In determining approval for the UTMB-Galveston bonds, the LBB must also consider the impact of reimbursement agreements with the Galveston County Commissioner's Court, or the impact of ad valorem taxes imposed by a hospital district.

### **Section 3**

**Coordinating Board approval of TRB property financing:** Provides that the Coordinating Board does not have to approve real property financed by bonds under two TRBs authorized in Section 2 above except to determine if property meets standards adopted by board for cost, efficiency, and space use.

### **Section 4**

**Coordinating Board approval of TRB construction financing:** Provides that the Coordinating Board does not have to approve construction, repair, or rehabilitation financed by bonds under two TRBs authorized above except to determine if they meet the standards adopted by the Board for cost, efficiency, and space use.

### **Section 5**

**Funding for excellence programs:** Requires the Coordinating Board to biennially determine the amount the Board considers appropriate for funding excellence in specific programs and fields and for incentive grants as outlined in Section 6 below.

### **Section 6**

**Funding criteria for excellence programs grants:** This section addresses university funding for excellence in specific programs and fields.

- (a) Directs the Coordinating Board to encourage General Academic Teaching Institutions (GATI) that are not research or emerging research universities to develop and maintain programs or fields-of-study of the highest national rank or recognition;
- (b) Authorizes the Coordinating Board to award incentive grants for purposes of (a) above;
- (c) Provides that an institution may designate only one degree program at a time for consideration;
- (d) Requires the Coordinating Board to establish benchmarks for each program under consideration and determine the amount of funding appropriate for each benchmark;
- (e) Requires at least three benchmarks for each program;
- (f) Requires institutions to reimburse the Coordinating Board for administrative costs; and
- (g) Authorizes the Coordinating Board to provide other funds in addition to incentive grants, to assist the institutions in achieving national ranking or recognition for specific programs.

No appropriations may be made by the Legislature before the Coordinating Board certifies that one or more institutions have reached at least one of the benchmarks established for a specific program.

#### **Section 7**

**Accountability system review:** Requires the Coordinating Board to conduct a review of the groupings in the accountability system at least once every 10 years.

#### **Section 8**

**Section renaming:** Renames Chapter 62 of the Education Code to "Constitutional and Statutory Funds To Support Institutions of Higher Education" (Previous title was "Constitutional and Statutory Division of Constitutionally Appropriated Funds Among Certain Institutions of Higher Education").

#### **Section 9**

**Eligible institution for Research Development Fund (RDF):** Defines what an eligible institution is considered for the RDF (currently in statute) to provide funding to promote increased research capacity at eligible general academic teaching institutions.

#### **Section 10**

**Higher Education Funds (HEF):** Allocates the annual \$262.5 million HEF proceeds to authorized institutions for FY 2011 - 2015. Also authorizes the University of North Texas at Dallas to participate in the funding as soon as it operates as a general academic teaching university.

#### **Section 11**

**Cleanup:** Removes dated language regarding funds prior to August 31, 2008.

## **Section 12**

**Funding streams:** Establishes three funding streams for different purposes.

- **Research University Development Fund (RUDF)**

(Added as Subchapter C to Chapter 62 of the Education Code)

The purpose of the fund is for recruitment and retention of faculty and to enhance research productivity at research and emerging research universities. The Coordinating Board will distribute any funds appropriated by the Legislature among the eligible institutions in proportion to the total amount of restricted research funds expended by each institution in the two most recent fiscal years.

- **Performance Incentive Funding**

(Added as new Subchapter D to Chapter 62 of the Education Code)

The Coordinating Board will distribute this funding to eligible institutions as follows:

- 50 percent in proportion to the increase in the average number of degrees awarded in the two most recent fiscal years compared to the average number in the two preceding fiscal years based on certain weights (points).
- 50 percent in proportion to the average number of degrees awarded by each institution in the three most recent fiscal years based on certain weights (points).

A table of number of points assigned for each degree awarded is provided within the legislation. The points are based on such factors as at-risk students and critical fields.

- **Texas Research Incentive Program (TRIP)**

(Added as new Subchapter F to Chapter 62 of the Education Code)

Under this fund, the state would match a certain percentage of the total amount of gifts received by an emerging research university if certain conditions are met. The Coordinating Board will develop and administer this fund. (Note: SB 1, General Appropriations Act, 81st Texas Legislature, allocates \$25 million each year of the 2010-2011 biennium for TRIP).

## **Section 13**

**National Research University Fund (NRUF)** (Added as new Subchapter G to Chapter 62 of the Education Code): Provides funding to emerging research universities that meet critical benchmarks for achieving national research university criteria such as certain levels of endowments, certain numbers of Ph.D. degrees awarded, etc.

## **Section 14**

**Funding for Research Development Fund (RDF):** The RDF already exists in statute. This provision removes the requirement for the comptroller to deposit \$50 million into the fund at the beginning of each fiscal year.

### **Section 15**

**Lamar Institute of Technology:** Establishes the institute as a lower-division institution of higher education.

### **Section 16**

**Higher Education Fund repeal:** Repeals sections 62.025 and 62.026 of the Education Code dealing with the HEF. *Note: If approved by voters, this constitutional fund will be "re-purposed" as the NRUF. See Section 21 below as well as provisions of HJR 14, 81st Texas Legislature.*

### **Section 17**

**Use of funds for Lamar Institute of Technology:** Repeals section authorizing expenditure of Lamar University funds for the Lamar Institute of Technology.

### **Section 18**

#### **Interim study on technology research data collection:**

- Creates a select interim committee to study the feasibility of collecting data and maintaining a searchable electronic database regarding specialized technology research projects conducted at public universities or similar facilities. Outlines a number of issues which must be considered in the study including appropriate entities to administer the data collection, the extent of legislative oversight needed, and information to be included in the data collection;
- The interim committee will be composed of one representative from each of the research or emerging research universities (nine members) and an unspecified number of members appointed by the Coordinating Board as the Board deems appropriate; and
- The interim committee will report its findings and recommendations to the governor, lieutenant governor, and speaker of the house no later than December 1, 2010.

### **Section 19**

#### **Study and recommendations on Research University Development Fund (RUDF):**

- Directs the Coordinating Board, in consultation with the institutions eligible for RUDF funding, to study and make recommendations regarding the appropriate definitions and categories of research expenditures to be included and applied in determining eligibility for and distributions from the RUDF.
- The Coordinating Board is to report its findings and recommendations to the governor, lieutenant governor, speaker of the house, and the chairs of various legislative committees by December 1, 2010.
- The written response of a participating institution to the Board's recommendations shall be included with the report upon the request of the institution.

## **Section 20**

**Rulemaking:** Grants rulemaking authority for the Coordinating Board. Rules are to be developed "as soon as practicable."

## **Section 21**

**Enabling provisions/effective dates:** Provides that funding for the RUDF (see Section 12 above) may not be appropriated or distributed prior to September 1, 2011.

Provides that funding for the NRUF (see Section 13 above) may not be appropriated or distributed prior to September 1, 2011. Further provides that funding for the NRUF is contingent on the approval of the voters of the constitutional amendment proposed by the 81st Texas Legislature.

Funding chart is on page seven of this overview.

### **For more information:**

Office of External Relations  
Texas Higher Education Coordinating Board  
[er@thecb.state.tx.us](mailto:er@thecb.state.tx.us)  
[www.thecb.state.tx.us/Agency/Topics.cfm](http://www.thecb.state.tx.us/Agency/Topics.cfm)  
512/427-6111

**TEXAS HIGHER EDUCATION COORDINATING BOARD**  
**HB 51 Funding for FY 2010 - 2011**

<b><u>HB 51 Provision</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>Notes</u></b>
<b>THECB Administration/Studies</b> (HB 51 Sections 1, 5, 7, 12, 13 and 18)	\$0	\$0	No appropriation/funding. CB estimates cost of administering funds and studies required by HB 51 at \$281,608 in FY 2010 and \$247,810 in FY 2011 for staffing, computer, and travel expense.
<b>TRB TX A&amp;M-Galveston</b> (HB 51 Sections 2, 3, and 4)	\$0	\$0	No appropriation/funding. CB estimates debt service on \$5 million TRB at \$435,923 per year.
<b>TRB UT Medical Branch</b> (HB 51 Sections 2, 3 and 4)	\$0	\$0	No appropriation/funding. CB estimates debt service on \$150 million TRB at \$14.6 million/year
<b>Excellence in specific programs and fields; incentive grants</b> (HB 51 Sections 5 and 6)	\$0	\$0	No appropriation/funding. Cost for awards estimated at \$500,000 in FY 2011.
<b>Performance incentive funding</b> (HB 51 Section 12)	\$40,000,000	\$40,000,000	Appropriation (SB 1, III-58, Sec. 46) using federal stimulus funds. CB to distribute funds to universities based on at-risk student enrollments and graduation rates of students in high-need fields.
<b>Higher Education Fund (HEF) allocations</b> (HB 51 Section 10)	\$262,500,000	\$262,500,000	General revenue appropriation (SB 1, III-61). HEF is an existing constitutional fund, the interest of which was supposed to fund certain allocations to eligible institutions. The corpus has never provided sufficient income so Legislature provides general revenue instead. HB 51, Sec.21 converts the constitutional HEF to the NRUDF if approved by voters (see NRUDF below).
<b>National research university development: Research University Development Fund (RUDF)</b> (HB 51 Section 12 and 21)	\$0	\$0	No appropriation/funding. HB 51, Sec. 21 provides that no appropriation or distribution can be made until FY 2012. When available, distribution of funds will be based on research expenditures at eligible institutions currently estimated by CB at \$117 million per year.
<b>National research university development: Texas Research Incentive Program (TRIP)</b> (HB 51 Section 12)	\$25,000,000	\$25,000,000	General revenue appropriation (SB 1, IX-75, Sec. 17.28). CB to distribute funds as percentage match of certain gifts and endowments at eligible institutions currently estimated by CB at \$47 million per year.
<b>National research university development: National Research University Fund (NRUF)</b> (HB 51 Sections 13 and 21; See also HJR 14, Sec. 2)	\$0	\$0	Existing constitutional fund (HEF) to be converted to NRUF with approval of voters in Nov. 3, 2009, referendum authorized in HJR 14, Sec. 2. Fund corpus now about \$425 million generating about \$70 million in income each year. HB 51, Sec. 21 provides no appropriation or distribution can be made until FY 2012. When available, distribution of funds will be for research support at eligible institutions based on criteria specified in bill.
<b>Total Funding</b>	<b>\$327,500,000</b>	<b>\$327,500,000</b>	