

SUBJECT: Developing funding for additional national research universities

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 8 ayes — Branch, Alonzo, Berman, Cohen, D. Howard, McCall, Patrick, Rose

1 present, not voting — Castro

0 nays

WITNESSES: For — Dan Bellow, Greater Houston Partnership; Robert Best, Dallas Regional Chamber; Donna D. Halstead, Dallas Citizens Council; (*Registered, but did not testify*: J. J. Baskin; Tony Goolsby; Bill Hammond, Texas Association of Business; Jeff Moseley, Greater Houston Partnership; Brinton Payne, Fort Worth Chamber of Commerce; Bill Sproull, Metroplex Technology Business Council; Vic Suhm, North Texas Commission; Jon Weist, Arlington Chamber of Commerce; Justin Yancy, Governor's Business Council)

Against — None

On — Guy Bailey, Texas Tech University; Gretchen Bataille, University of North Texas; David Daniel; UT-Dallas; Luis Figueroa, Mexican American Legal Defense and Educational Fund (MALDEF); John Frederick, UT-San Antonio; David Gardner, Raymund Paredes, Texas Higher Education Coordinating Board (THECB); Renu Khator, University of Houston System; Diana Natalicio, The University of Texas at El Paso; James Spaniolo, UT Arlington

BACKGROUND: Texas has three national tier-one academic research universities, also called flagship universities — the University of Texas at Austin, Texas A&M University, and Rice University, a private institution. Characteristics of national research universities are established by organizations like the American Association of Universities (AAU), the Center for Measuring University Performance, and the Center for World Class Universities in Shanghai.

There is no precise definition of “tier one,” but one reference often is derived from the Carnegie Foundation for the Advancement of Teaching’s system for classifying institutions. Tier one is used to describe the status associated with high-performing research universities. Some attributes of these institutions include membership in the AAU, having at least \$100 million in federal research grants annually; the size of endowments; the quality of the faculty and the number with membership in one of the national academies; the number of faculty awards; the number of doctorates awarded; and having selective admissions.

The Texas Higher Education Coordinating Board (THECB) classifies research universities in two categories: research universities and emerging research universities. The emerging research universities in Texas are as follows:

- Texas Tech University;
- University of Texas at Arlington;
- University of Texas at Dallas;
- University of Texas at El Paso;
- University of Texas at San Antonio;
- University of Houston; and
- University of North Texas

DIGEST: CSHB 51 would create three initiatives and establish funding methods to enable emerging research universities to achieve national prominence as major research institutions and would direct the Texas Higher Education Coordinating Board (THECB) to administer the programs.

The bill would create the Research University Development Fund (RUDF) to provide funding to eligible emerging research universities for the support and maintenance of educational and general activities that promote increased research capacity; the Texas Research Incentive program (TRIP) to provide matching grants based on the amount of donations from private sources; and the National Research University Benchmark Fund (NRUBF), which would provide funding incentives based on a point system to reward universities that met critical benchmarks toward achieving national prominence as major research universities.

The bill would define an emerging research university as an institution of higher education that the THECB determined was a research university that had demonstrated a commitment to developing and maintaining

degree and research programs that supported the institution's efforts to improve its ranking among research universities.

Research University Development Fund. THECB would distribute from the Research University Development Fund any funds appropriated by the Legislature, and any other funds made available, 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. Funds could be used only to support and maintain educational and general activities that promoted increased research capacity.

Texas Research Incentive Program. Under provisions of this program, private gifts received by the eligible institutions for the purpose of enhancing research activities at the institution would be matched with state appropriations if certain conditions were met. The state would match a certain percentage of the total amount of the gift received, as follows:

- 50 percent of the total amount of the gifts, if the total was \$100,000 or more but not more than \$999,999;
- 75 percent of the total amount of the gifts, if the total was \$1 million or more, but not more than \$1,999,999; or
- 100 percent of the total amount of the gifts, if the total was \$2 million or more.

An in-kind gift, a gift that had been pledged but not received, gifts for undergraduate scholarships or grants, or any portion of gifts received from a single source in a state fiscal year in excess of \$10 million would not count toward matching funds.

If funds appropriated for the program for a state fiscal year were not sufficient to provide matching grants in the amounts specified, the THECB would make matching grants for those gifts in the order of their certification dates and would provide matching grants for any remaining unmatched gifts in the following fiscal year. Certified, unmatched gifts would carry forward until they were matched.

National Research University Benchmark Fund. For the national research university benchmark fund, the THECB would allocate funds appropriated by the Legislature, or any other funds made available, among eligible institutions in proportion to the total number of points earned by the institution under the program. In years when the three universities with

the most points failed to receive at least 80 percent of the total amount of funding available for that year, then 80 percent of the funding would be distributed to the three institutions receiving the highest total of points for that fiscal year in proportion to the number of points they were assigned. The remainder would be distributed among the remaining eligible institutions in proportion to their total number of points.

The program would assign points to each eligible institution for a fiscal year based on information from the previous two fiscal years. Eligible institutions would earn points based on minimum thresholds for factors that would include:

- whether the institution's library was a member of the Association of Research Libraries;
- if the institution had a Phi Beta Kappa chapter;
- the number of tenured faculty members who were Nobel Laureates or who had been elected to a national academy;
- the number of doctor of philosophy degrees awarded;
- the amount expended in restricted research funds in each of the two years;
- the average score on the SAT of entering freshmen for each of the two years;
- the percentage of entering freshman students in each of the two years who graduated in the top 10 percent of their high school class; and
- the aggregate value of the institution's endowment funds for educational and general use.

Institutions that are a part of the Permanent University Fund would receive credit for their endowment amounts for the expenditures from the Available University Fund that were made on the institution's behalf for the preceding 10 years.

The bill would take effect September 1, 2009.

**SUPPORTERS
SAY:**

The need for a highly educated workforce in Texas cannot be overstated and CSHB 51 would be the first step in shaping a brighter future for Texas. Creating additional national research universities is one of the most important issues facing the state today. If Texas is to achieve the vision of a globally competitive workforce, it must make dramatic gains in the education of its population. The bill would establish three separate

initiatives reflecting three essential steps that emerging research universities must take to elevate themselves to top-tier status. They would have to increase research, raise private money, and work to earn the tier-one distinction by achieving a level of excellence that is nationally and internationally recognized.

With more than 24 million Texans and only two public national tier-one institutions, it is no surprise that the state's top-flight schools have more applicants than they can admit. Texas is losing more than 10,000 high school graduates a year to doctoral-granting universities in other states. At the same time, the state is recruiting only 4,000 students per year from other states, resulting in a net loss of 6,000 students a year. The presence of more tier-one universities would expand the educational opportunities available to Texas students and keep more of them in the state.

Tier-one universities are the best way to develop a highly skilled workforce, especially in the sciences, engineering, and professional fields critical to economic success. Tier-one universities are integral to keeping the state in the forefront of research as global competition tightens for economic development, talent, and ideas. Such universities are an important source of economic development for technology commercialization, spin-off companies, and job creation.

Texas trails other leading states. California has nine tier-one schools for about 36 million residents, and Virginia has three tier-one institutions in a state with a population of about 7 million. With a population of 24 million and only two public tier-one universities, Texas is at a disadvantage in attracting and retaining top talent and drawing research and venture capital investment to the state.

The research university development program established by CSSB 51 would focus on rewarding emerging research universities for obtaining research funding, grants, and gifts. The funding would be intended to be available immediately to accelerate the emerging research institutions' progress and create a pathway for the institutions to improve and advance to national prominence as major research universities. Those universities that attracted and produced the most research would be rewarded.

The Texas research incentive program would offer matching grants and be designed to attract private support in areas critical to reaching tier-one status. This would include endowment gifts for faculty chairs or

professorships, research and academic facilities, research equipment, or graduate student stipends or fellowships. This would be a powerful tool to encourage universities to attract outside funds that could be leveraged for the greatest impact.

The national research university benchmark fund would be designed to incentivize emerging research universities that met critical benchmarks. Using a point system, it would ensure a focus on institutions that were the closest to reaching national research status.

Some may be concerned that limited state funding should be targeted to the emerging research institutions that are the closest to attaining top tier status. However, all institutions would be eligible to compete for the funding and all the institutions would benefit from and progress under the provisions of the bill. The funding for these initiatives would be whatever the Legislature decided was appropriate. The more state appropriations were available, coupled with other funding sources, the sooner the institutions would reach their goal.

Creating more tier-one universities would require additional funding from a variety of sources. State funding alone cannot make a tier-one university. Support from local communities and private donations would be essential to building additional national research universities. Local entities have to be motivated and understand the benefit to their areas and the state and provide support with private and community funding. Economists estimate that every \$10 million in annual research expenditures would create 334 new jobs, add \$8.6 million in wages to the regional economy, draw \$500,000 in additional state revenue, including tax revenue, and generate \$13.5 million in local sales, a 226 percent return on investment.

**OPPONENTS
SAY:**

While the goals of the bill are laudable, in this time of limited state dollars, Texas should focus more of its limited state resources on those institutions that are the closest to attaining tier-one status. Especially because of the urgency of developing more nationally competitive research universities, it would make more sense to target fewer institutions that were further along the path to national status.

The bill should include a Sunset provision so that progress could be assessed periodically to determine if a clear front-runner institution had emerged. At that time, adjustments could be made to focus funding on that institution.

NOTES:

According to the LBB, the bill would cost \$495,241,426 in fiscal 2010-11 and \$247,643,112 per year after that.

The committee substitute differs from the original by establishing the Research University Development Fund; setting forth criteria for allocating funding based on restricted research; establishing the Texas Research Incentive Program and the criteria for eligibility under that provision; establishing the National Research University Benchmark Fund criteria for the point system and procedures for distributing funds to eligible institutions. The substitute also added a provision authorizing the THECB to adopt rules to administer the three programs and provides an effective date of September 1, 2009, rather than immediate effect.

HJR 139 by Branch, proposing a constitutional amendment establishing the national research university fund and transferring the balance of the Higher Education Fund (HEF) to the national research university fund, has been referred to the Higher Education Committee.

A similar bill, SB 1560 by Duncan, which would establish the national research university fund and abolish the Higher Education Fund (HEF), is pending in the Senate Higher Education Committee. SJR 35 by Duncan, its accompanying proposed constitutional amendment, was adopted by the Senate by 31-0 on April 6 and has been referred to the House Higher Education Committee.

A contingency rider in the THECB bill pattern in the House-passed version of SB 1, the general appropriations bills for fiscal 2010-11, includes \$210 million to implement CSHB 51.