

BILL ANALYSIS

Senate Research Center
81R3874 KEL-F

S.J.R. 35
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas lags behind other states in the number of nationally recognized research universities. Currently, Texas has only two public research universities of national prominence. While Texas must continue strengthening these existing institutions, it must also focus resources on establishing additional nationally prominent research universities.

As proposed, S.J.R. 35 creates the National Research University Fund (NRUF) as a dedicated, long-term, independent, and equitable source of funding aimed at enabling eligible institutions in this state to achieve national prominence as major research universities. The bill provides that funds currently allocated to the permanent higher education fund are allocated to NRUF, and directs the legislature to establish criteria by which a qualifying institution is authorized to become eligible to receive a long-term, permanent, annual distribution from NRUF to promote increased research capacity at the university. S.J.R. 35 provides for limitations on the annual appropriation that is authorized to be made from NRUF so as to protect the long-term purchasing power of fund assets. S.J.R. 35 requires that the proposed constitutional amendment establishing NRUF be submitted to the voters at an election to be held on November 3, 2009.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article VII, Texas Constitution, by adding Section 20, as follows:

Sec. 20. (a) Establishes the national research university fund (NRUF) for the purpose of providing a dedicated, independent, and equitable source of funding to enable emerging research universities in this state to achieve national prominence as major research universities.

(b) Provides that NRUF consists of money transferred or deposited to the credit of the fund and any interest or other return on the investment assets of NRUF. Authorizes the legislature to dedicate state revenue to the credit of NRUF.

(c) Requires the legislature to provide for administration of NRUF, which is required to be invested in the manner and according to the standards provided for investment of the permanent university fund. Requires that the expenses of managing the investments of NRUF be paid from NRUF.

(d) Authorizes the legislature, in each state fiscal biennium, to appropriate as provided by Subsection (f) of this section all or a portion of the total return on all investment assets of NRUF to carry out the purposes for which NRUF is established.

(e) Requires the legislature biennially to allocate the amounts appropriated under this section, or to provide for a biennial allocation of those amounts, to eligible state universities to carry out the purposes of NRUF. Requires that the money be allocated based on an equitable formula established by the legislature or an agency designated by the legislature. Requires the legislature to review and as

appropriate adjust, or provide for a review and adjustment, of the allocation formula at the end of each state fiscal biennium.

(f) Provides that the portion of the total return on investment assets of NRUF that is available for appropriation in a state fiscal biennium under this section is the portion necessary to provide as nearly as practicable a stable and predictable stream of annual distributions to eligible state universities and to maintain over time the purchasing power of NRUF investment assets. Prohibits the legislature, if the purchasing power of NRUF investment assets for any rolling 10-year period is not preserved, from appropriating money from NRUF until the purchasing power of the NRUF investment assets is restored. Prohibits the amount appropriated from NRUF in any fiscal year from exceeding an amount equal to seven percent of the average net fair market value of the investment assets of NRUF.

(g) Requires the legislature to establish criteria by which a state university is authorized to become eligible to receive a portion of the distributions from NRUF. Provides that a state university that becomes eligible to receive a portion of the distributions from NRUF in a state fiscal biennium remains eligible to receive additional distributions from NRUF in any subsequent state fiscal biennium. Prohibits The University of Texas at Austin, Texas A&M University, and Prairie View A&M University from being eligible to receive money from NRUF.

(h) Authorizes an eligible state university to use distributions from NRUF only for the support and maintenance of educational and general activities that promote increased research capacity at the university.

SECTION 2. Repealer: Section 17(i) (relates to the authorization of and the dedication of revenues to create the higher education fund), Article VII (Education), Texas Constitution.

SECTION 3. Adds a temporary provision to the Texas Constitution, as follows:

TEMPORARY PROVISION. (a) Provides that this temporary provision applies to the constitutional amendment proposed by the 81st Legislature, Regular Session, 2009, establishing NRUF to enable emerging research universities in this state to achieve national prominence as major research universities and transferring the balance of the higher education fund to NRUF.

(b) Effective date of the amendment to add Section 20 to Article VII of this constitution and to repeal Section 17(i), Article VII, of this constitution: January 1, 2010.

(c) Requires that any amount in or payable to the credit of the higher education fund established by Section 17(i), Article VII, Texas Constitution, on January 1, 2010, be transferred to the credit of NRUF.

(d) Provides that this temporary provision expires January 1, 2011.

SECTION 4. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 3, 2009. Sets forth the required language for the ballot.