

Section 1

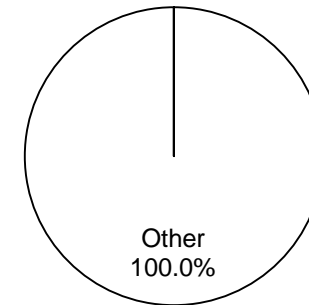
**Available National Research University Fund
Summary of Recommendations - House**

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Kris Kavanaugh, LBB Analyst

Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>0.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$50,898,138	\$55,528,385	\$4,630,247	9.1%
All Funds	\$50,898,138	\$55,528,385	\$4,630,247	9.1%

RECOMMENDED FUNDING
BY METHOD OF FINANCING



	FY 2013 Budgeted	FY 2015 Recommended	Biennial Change	% Change
FTEs			0.0	0.0%

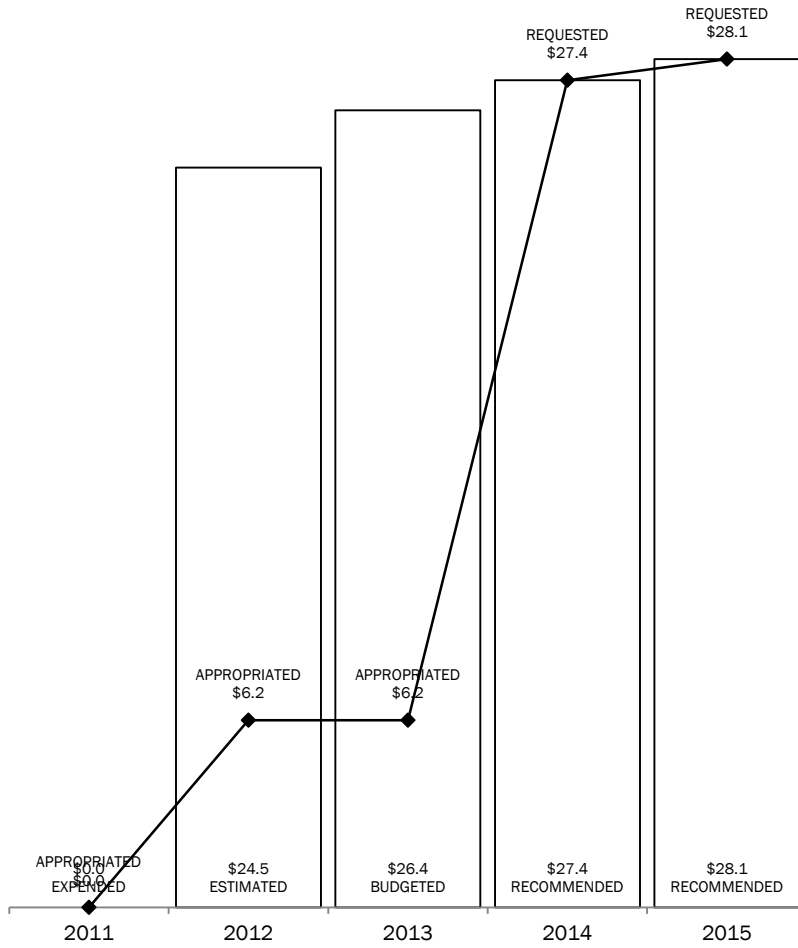
The bill pattern for this agency (2014-15 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2014-15 biennium.

Section 1
Available National Research University Fund

2014-2015 BIENNIUM
 IN MILLIONS

TOTAL= \$55.5 MILLION

ALL FUNDS



**GENERAL REVENUE AND
 GENERAL REVENUE-DEDICATED FUNDS**



FULL-TIME-EQUIVALENT POSITIONS



Section 2

Available National Research University Fund
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
DISTRIBUTE TO ELIGIBLE INSTITUTIONS A.1.1	\$50,898,138	\$55,528,385	\$4,630,247	9.1%
Total, Goal A, MANAGE/ADMINISTER ENDOWMENT FUNDS	\$50,898,138	\$55,528,385	\$4,630,247	9.1%
Grand Total, All Strategies	\$50,898,138	\$55,528,385	\$4,630,247	9.1%

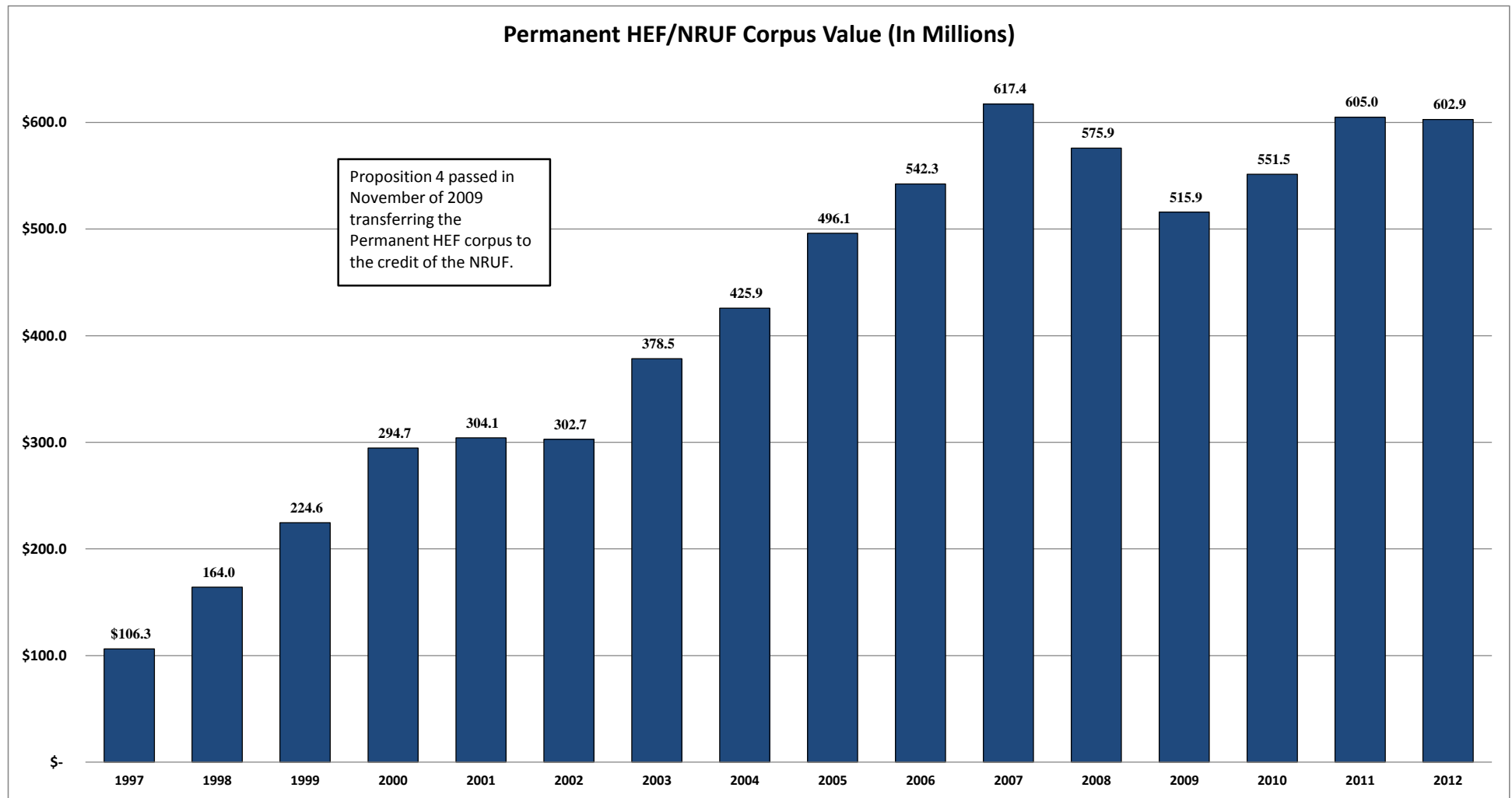
Section 3

Available National Research University Fund Selected Fiscal and Policy Issues

1. The National Research University Fund (NRUF) was established in 2010 to provide eligible institutions funding so that they may achieve national prominence as major research universities. Eligibility requirements are listed in Section 62.145 of the Texas Education Code and are shown in the table titled “Summary of Constitutional Funds and Other Funds for Higher Education” presented later in this section. Eligibility is determined by the Higher Education Coordinating Board.
2. Annual distributions from the NRUF are 4.5% of the average value of the NRUF corpus for the previous 3 fiscal years. Each eligible institution receives 1/7 of this distribution. If less than 7 institutions are eligible, the eligible institutions receive an equal split of the remaining distribution, but may not receive more than 1/4 of this remainder. Any funds not allocated to the eligible institutions in a given year are reinvested in the NRUF corpus.
3. The University of Houston and Texas Tech University are currently eligible to receive distributions. The University of Texas-Dallas has indicated they are near meeting the requirements for distribution. See Section 3 for 2014-2015 allocations based on University of Houston and Texas Tech University only being eligible, and allocations based on Houston, Texas Tech, and UT-Dallas being eligible.
4. See Section 3 for a chart detailing the historical growth of the National Research University Fund corpus.

Performance of the Permanent Higher Education Fund / National Research University Fund (1997-2012)

Fiscal Year	Corpus Value	% Change Corpus Value
1997	\$ 106.3	0.0%
1998	164.0	54.3%
1999	224.6	37.0%
2000	294.7	31.2%
2001	304.1	3.2%
2002	302.7	-0.5%
2003	378.5	25.0%
2004	425.9	12.5%
2005	496.1	16.5%
2006	542.3	9.3%
2007	617.4	13.8%
2008	575.9	-6.7%
2009	515.9	-10.4%
2010	551.5	6.9%
2011	605.0	9.7%
2012	602.9	-0.3%



Projected Available National Research University Fund Allocations

NRUF History
2009 Corpus
\$515,900,00
2010 Corpus
\$551,453,796
2011 Corpus
\$604,942,919
2012 Corpus
\$602,870,987

2013 (Houston, Texas Tech)	
2013 Corpus*	\$620,957,117
3 Year Average	\$586,422,567
4.5% Distribution	\$26,389,016
1/7 to Houston	\$3,769,859
1/7 Texas Tech	\$3,769,859
1/4 to Houston	\$4,712,324
1/4 to Tech	\$4,712,324
Total to Each Institution	\$8,482,184
Total 2013 Distributions	\$16,964,367
Amount Reinvested	\$9,424,648

2014 (Houston, Texas Tech)	
2014 Corpus	\$649,293,218
3 Year Average	\$609,590,341
4.5% Distribution	\$27,431,565
1/7 to Houston	\$3,918,795
1/7 Texas Tech	\$3,918,795
1/4 to Houston	\$4,898,494
1/4 to Tech	\$4,898,494
Total to Each Institution	\$8,817,289
Total 2014 Distributions	\$17,634,578
Amount Reinvested	\$9,796,988

2015 (Houston, TexasTech)	
2015 Corpus	\$678,862,912
3 Year Average	\$624,373,774
4.5% Distribution	\$28,096,820
1/7 to Houston	\$4,013,831
1/7 Texas Tech	\$4,013,831
1/4 to Houston	\$5,017,289
1/4 to Tech	\$5,017,289
Total to Each Institution	\$9,031,121
Total 2015 Distributions	\$18,062,241
Amount Reinvested	\$10,034,579

2014 (Houston, Texas Tech, UT Dallas)	
2014 Corpus	\$649,293,218
3 Year Average	\$609,590,341
4.5% Distribution Rate	\$27,431,565
1/7 to Houston	\$3,918,795
1/7 Texas Tech	\$3,918,795
1/7 UT Dallas	\$3,918,795
1/4 to Houston	\$3,918,795
1/4 to Tech	\$3,918,795
1/4 to UT Dallas	\$3,918,795
Total to Each Institution	\$7,837,590
Total 2014 Distributions	\$23,512,770
Amount Reinvested	\$3,918,795

2015 (Houston, Texas Tech, UT Dallas)	
2015 Corpus	\$672,808,373
3 Year Average	\$624,373,774
4.5% Distribution Rate	\$28,096,820
1/7 to Houston	\$4,013,831
1/7 Texas Tech	\$4,013,831
1/7 UT Dallas	\$4,013,831
1/4 to Houston	\$4,013,831
1/4 to Tech	\$4,013,831
1/4 to UT Dallas	\$4,013,831
Total to Each Institution	\$8,027,663
Total 2015 Distributions	\$24,082,988
Amount Reinvested	\$4,013,831

*Assumes 3% annual growth in NRUF corpus

Summary of Constitutional Funds and Other Funds Supporting Higher Education

	MOF	Source of Funds	Legal Basis of Fund and Appropriation Authority	2014-15 Biennial Amounts (Estimated)	Function/Purpose	Eligibility	Allocation Methodology	Bond Issuance Capacity?
Available University Fund	Fund 011 (Other Funds)	Earnings from the Permanent University Fund corpus (as of July 2012 valued at \$13.2 billion) and net surface income of certain PUF-owned lands. Also, the AUF: 1) Must be enough to pay the principal and interest due in that fiscal year on PUF bonds. 2) Must maintain the purchasing power of the PUF, except as necessary to pay #1, above. 3) Must not exceed an amount equal to 7% of the average net fair market value of the PUF, except as necessary to pay #1, above.	Article VII, Section 18(a-j) of the Texas Constitution General Appropriations Acts	\$1,320,507,419 (Estimated)	Texas Constitution: "...for the purpose of acquiring land ...constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under this Section..." Also: "...for the purpose of the support and maintenance of The Texas A&M University System administration, Texas A&M University, and Prairie View A&M University" and "The University of Texas at Austin and The University of Texas System".	Defined by the Texas Constitution: For "support and maintenance": UT Austin, Texas A&M University, Prairie View University, UT System, A&M System For debt service: All components, including the TAMU System Agencies except TVMDL (which per Education Code § 88.701 "is a state agency under the jurisdiction and supervision of the board"), and excluding UT Pan American and UT Brownsville (because they receive HEF allocations - an institution can not receive both AUF and HEF dollars).	Texas Constitution requires 1/3 of the annual AUF proceeds be transferred to the Texas A&M University System. Each System office determines how to apportion its share of the AUF between debt service and "support and maintenance", within guidelines specified by the Texas Constitution.	Yes. The following terms and restrictions are defined by the Texas Constitution: 1) Total PUF bond debt may not exceed 30% of the value of the PUF at the time of issuance. 2) Debt must be repaid within 30 years of issuance. Most UT and A&M institutions receive PUF bond proceeds and have PUF bond debt service payments made on these bond debts by their respective System offices.
Higher Education Fund	General Revenue (Restr.)	State General Revenues. The "Permanent" Higher Education Fund corpus was transferred to the credit of the National Research University Fund (see below) with voter passage of Proposition 4 in November of 2009.	Article VII, Section 17(a-1) of the Texas Constitution Education Code, § 62.002 General Appropriations Acts	\$ 525,000,000	To support institutions ineligible for AUF support. Article VII, Section 17(a): "...for the purpose of acquiring land...constructing and equipping buildings ...major repairacquisition of capital equipment...other permanent improvements, or capital equipment used jointly for educational and general activities and for auxiliary enterprises to the extent of their use for educational and general activities." Education Code, § 62.002: "...to create and maintain a degree of excellence at the respective institutions and agencies of higher education that is above and apart from the normal appropriative formulas established by the Coordinating Board, Texas College and University System"	Article VII, Section 17(c) provides an allowance to add a new institution by a 2/3 vote of both houses of the Legislature if the new institution is outside the UT and A&M Systems.	Article VII, Section 17(a) requires the HEF be allocated using an "equitable formula", defined in the Education Code (§ 62.021) as: "The allocation of funds under this subsection is made in accordance with an equitable formula consisting of the following elements: space deficit, facilities condition, institutional complexity, and a separate allocation for the Texas State Technical College System." THECB administers the HEF formula reallocation advisory process. Education Code (§ 62.021) provides a by-institution breakout of annual HEF appropriations.	Yes. The following terms and restrictions are defined by the Texas Constitution: 1) Total bond debt may not exceed 50% of annual HEF appropriations. 2) Debt must be repaid within 10 years of issuance. Only a few institutions are currently paying off HEF bond debt, and no institution has indicated intent to issue any HEF bond debt in 2014-15.
Research Development Fund	General Revenue (Restr.)	State General Revenues. Education Code reads a certain portion of the annual \$50 million contribution to the Permanent HEF should be redirected to fund a portion of the RDF.	Education Code, § 62.091 Note, the RDF as a stand-alone appropriation item has not been funded since the 2006-07 biennium. However, funds called the RDF have been appropriated directly into the bill patterns of each eligible GAI.	TBD	Education Code § 62.091: "...to promote increased research capacity at eligible general academic teaching institutions."	Education Code § 62.092: "Eligible institution" means a general academic teaching institution, as defined by Section 61.003, other than The University of Texas at Austin, Texas A&M University, or Prairie View A&M University."	Education Code § 62.095: "The amount shall be apportioned among the eligible institutions based on the average amount of restricted research funds expended by each institution per year for the three preceding state fiscal years."	No.

	MOF	Source of Funds	Legal Basis of Fund and Appropriation Authority	2014-15 Biennial Amounts (Estimated)	Function/Purpose	Eligibility	Allocation Methodology	Bond Issuance Capacity?
Texas Competitive Knowledge Fund	General Revenue (Unres.)	State General Revenues.	General Appropriations Acts	TBD	Section 56 of Higher Education Special Provisions, 82nd GAA: "...to support faculty for the purpose of instructional excellence and research."	Defined by the legislature (currently UT Austin, UT Dallas, TAMU, Texas Tech and UH).	The 2012-13 appropriation was based on providing \$685,000 to each eligible institution for every \$10 million in unrestricted research expenditures as averaged over a 3-year period.	No.
Available National Research University Fund (HB 51, 81st Leg.)	Other Funds	<p>Voter passage of Proposition 4 in November 2009 transferred the PHEF corpus to the credit of the NRUF corpus.</p> <p>Earnings from the NRUF corpus (as of August 2012 valued at \$607.7 million) as well as General Revenue may be appropriated by the Legislature.</p> <p>Also, Article VII, Section 20 (f) of the Texas Constitution requires the NRUF:</p> <p>1) Must maintain its purchasing power over a rolling 10-year period. 2) Must not exceed an amount equal to 7% of the average net fair market value of the fund.</p>	<p>Article VII, Section 20 (a-h) of the Texas Constitution</p> <p>Education Code, § 62.141</p> <p>General Appropriation Acts</p>	<p>TBD</p> <p>Article VII, Section 20 (f) of the Texas Constitution:</p> <p>"Until the fund has been invested for a period of time sufficient to determine the purchasing power over a 10-year period, the legislature may provide by law for means of preserving the purchasing power of the fund."</p>	<p>Article VII, Section 20 (a): "...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."</p> <p>Article VII, Section 20 (h): "...only for the support and maintenance of educational and general activities that promote increased research capacity at the university."</p> <p>Education Code, § 62.141: "...to allocate appropriations from the national research university fund to provide a dedicated, independent, and equitable source of funding to enable emerging research universities in this state to achieve national prominence as major research universities."</p>	<p>Designated an emerging research university by THECB. Reports at least \$45 million in restricted research expenditures in each of the last 2 years. Plus four of the following additional criteria:</p> <ol style="list-style-type: none"> 1) Endowments > \$400 million; 2) Produces > 200 Ph.D.s per year; 3) Selective entering Freshmen class; 4) Member of Phi Beta Kappa or equivalent; 5) Possesses high quality faculty; and 6) Demonstrated commitment to high-quality graduate education. <p>UT and TAMU are ineligible per Education Code, § 62.147</p>	<p>Education Code, § 62.148: "In each state fiscal year, the comptroller shall distribute to eligible institutions the total amount appropriated from the fund for that fiscal year. The amount shall be allocated to the eligible institutions based on an equitable formula adopted by the legislature to carry out the purposes of the fund as established by Section 20, Article VII, Texas Constitution. In adopting the allocation formula, the legislature may consider the recommendations of the coordinating board, including recommendations on the appropriate elements and relative weights of elements of the formula."</p>	No.

	MOF	Source of Funds	Legal Basis of Fund and Appropriation Authority	2014-15 Biennial Amounts (Estimated)	Function/Purpose	Eligibility	Allocation Methodology	Bond Issuance Capacity?
Texas Research University Development Fund (HB 51, 81st Leg.)	General Revenue (Restr.)	State General Revenues.	Education Code, § 62.051 (HB 51, 81st Regular Session)	TBD	Education Code § 62.051: "...to provide funding to research universities and emerging research universities for the recruitment and retention of highly qualified faculty and the enhancement of research productivity at those universities."	Education Code § 62.051: "Eligible institution" means an institution of higher education designated as a research university or emerging research university under the coordinating board's accountability system."	Education Code § 62.053: "...the coordinating board shall distribute any funds appropriated by the legislature for the purposes of this subchapter...to eligible institutions based on the average amount of total research funds expended by each institution annually during the three most recent state fiscal years, according to the following rates: (1) at least \$1 million for every \$10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is \$50 million or more; and (2) at least \$500,000 for every \$10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is less than \$50 million."	No.
Texas Research Incentive Program (HB 51, 81st Leg.)	GR (Unrestr.)	State General Revenue appropriations, as matched to certain research-related gifts to eligible institutions. Trusted to THECB.	Education Code, § 62.121 (HB 51, 81st Regular Session)	TBD	Education Code, § 62.122: "...to provide matching funds to assist eligible institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment."	Education Code, § 62.121: "...Eligible institution" means an institution of higher education designated as an emerging research university under the coordinating board's accountability system."	Education Code, § 62.123: "...is entitled to receive, out of funds appropriated for the purposes of the program for that fiscal year, a matching grant in an amount determined according to the following rates: (1) 50 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is \$100,000 or more but not more than \$999,999; (2) 75 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is \$1 million or more but not more than \$1,999,999; or (3) 100 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is \$2 million or more.	No.

Section 4

**Available National Research University Fund
Performance Review and Policy Report Highlights**

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Will be included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

Section 5

**Available National Research University Fund
Rider Highlights**

NONE

Section 6

**Available National Research University Fund
Items not Included in the Recommendations**

NONE