

Section 1

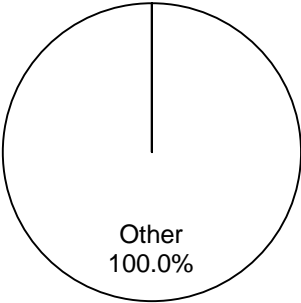
Available National Research University Fund  
Summary of Recommendations - Senate

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Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$0	\$0	\$0	0.0%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$55,835,235	\$61,068,150	\$5,232,915	9.4%
All Funds	\$55,835,235	\$61,068,150	\$5,232,915	9.4%

RECOMMENDED FUNDING  
BY METHOD OF FINANCING



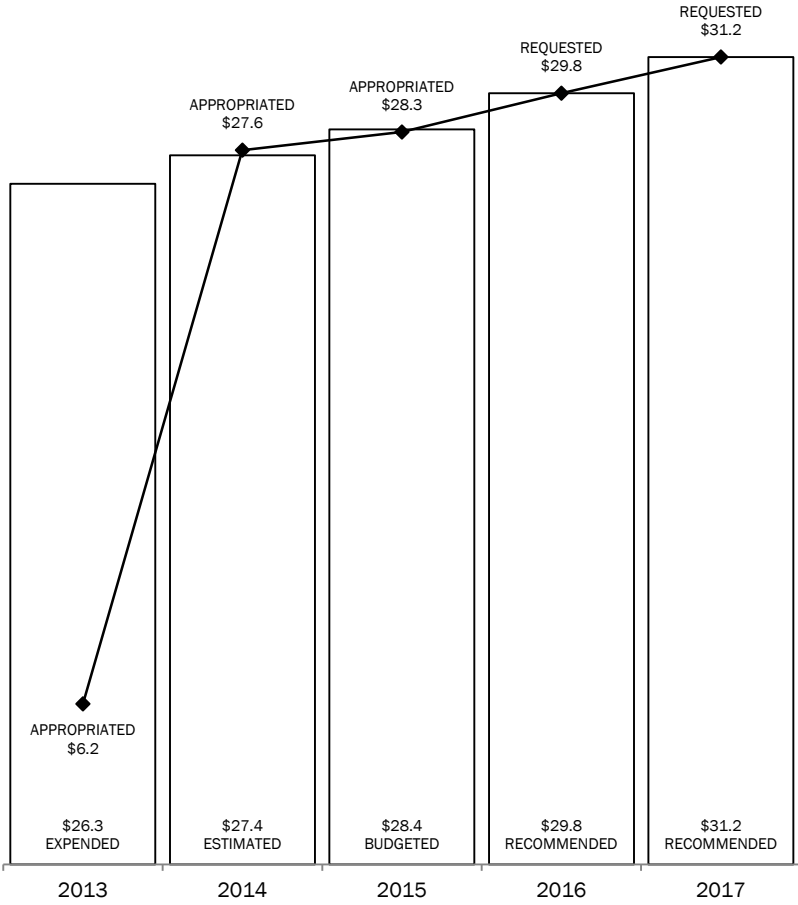
	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs			0.0	0.0%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

Section 1  
Available National Research University Fund  
2016-2017 BIENNIUM  
IN MILLIONS

TOTAL= \$61.1 MILLION

ALL FUNDS



GENERAL REVENUE AND  
GENERAL REVENUE-DEDICATED FUNDS



FULL-TIME-EQUIVALENT POSITIONS



Section 2

Available National Research University Fund					
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS					
Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
DISTRIBUTE TO ELIGIBLE INSTITUTIONS A.1.1	\$55,835,235	\$61,068,150	\$5,232,915	9.4%	
Total, Goal A, MANAGE/ADMINISTER ENDOWMENT FUNDS	\$55,835,235	\$61,068,150	\$5,232,915	9.4%	
Grand Total, All Strategies	\$55,835,235	\$61,068,150	\$5,232,915	9.4%	Increase is attributable to the expected growth of the National Research University Fund (NRUF) corpus.

## Section 3a

### National Research University Fund Selected Fiscal and Policy Issues - Senate

1. **Fund Purpose.** 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. Eligibility is determined by the Higher Education Coordinating Board.
2. **Fund Distribution.** Annual distributions from the NRUF are 4.5 percent of the average value of the NRUF corpus for the previous three fiscal years. Of the total annual distribution, each eligible institution receives a distribution in an amount equal to the sum of: (1) one-seventh of the total distribution amount, and (2) an equal share of any remaining distribution amount, not to exceed an amount equal to one-fourth of the remainder. However, if more than four institutions are eligible to receive NRUF appropriation, then each eligible institution would receive an equal share of the distribution.
3. **Eligible Institutions.** The University of Houston and Texas Tech University are currently eligible to receive distributions. Of the remaining emerging research universities, The University of Texas at Dallas (UT Dallas) has fulfilled the most eligibility criteria but still must fulfill the mandatory criteria of reporting \$45 million in annual restricted research expenditures and one additional optional criterion. Because the eligibility criteria requires institutions to exceed the required criteria threshold in the two state fiscal years preceding the state fiscal year for which the appropriation is made, it is not likely that UT Dallas will become eligible to receive NRUF distributions before fiscal year 2017. Projected 2016-17 NRUF distributions for each eligible institution and the resulting reinvestment in the fund are included in Section 3b.
4. **Additional Information.** Additional information on the corpus value of the NRUF is included in Section 3c as well as a comparison of research fund eligibility for institutions of higher education.

Projected National Research University Fund Distributions 2016-17

FY 2015 (Houston, Texas Tech)	
NRUF Average Value	\$ 631,295,111
4.5 percent distribution	\$ 28,408,280
1/7 to Each Institution	\$ 4,058,326
1/4 remaining distribution to each institution	\$ 5,072,907
<b>Total to Each Institution</b>	<b>\$ 9,131,233</b>
<b>Total Distribution</b>	<b>\$ 18,262,466</b>
Amount Reinvested	\$ 10,145,814

FY 2016 (Houston, Texas Tech)	
NRUF Average Value	\$ 662,648,044
4.5 percent distribution	\$ 29,819,162
1/7 to Each Institution	\$ 4,259,880
1/4 remaining distribution to each institution	\$ 5,324,850
<b>Total to Each Institution</b>	<b>\$ 9,584,731</b>
<b>Total Distribution</b>	<b>\$ 19,169,461</b>
Amount Reinvested	\$ 10,649,701

*Assuming two eligible institutions*

FY 2017 (Houston, Texas Tech)	
NRUF Average Value	\$ 694,421,956
4.5 percent distribution	\$ 31,248,988
1/7 to Each Institution	\$ 4,464,141
1/4 remaining distribution to each institution	\$ 5,580,176
<b>Total to Each Institution</b>	<b>\$ 10,044,318</b>
<b>Total Distribution</b>	<b>\$ 20,088,635</b>
Amount Reinvested	\$ 11,160,353

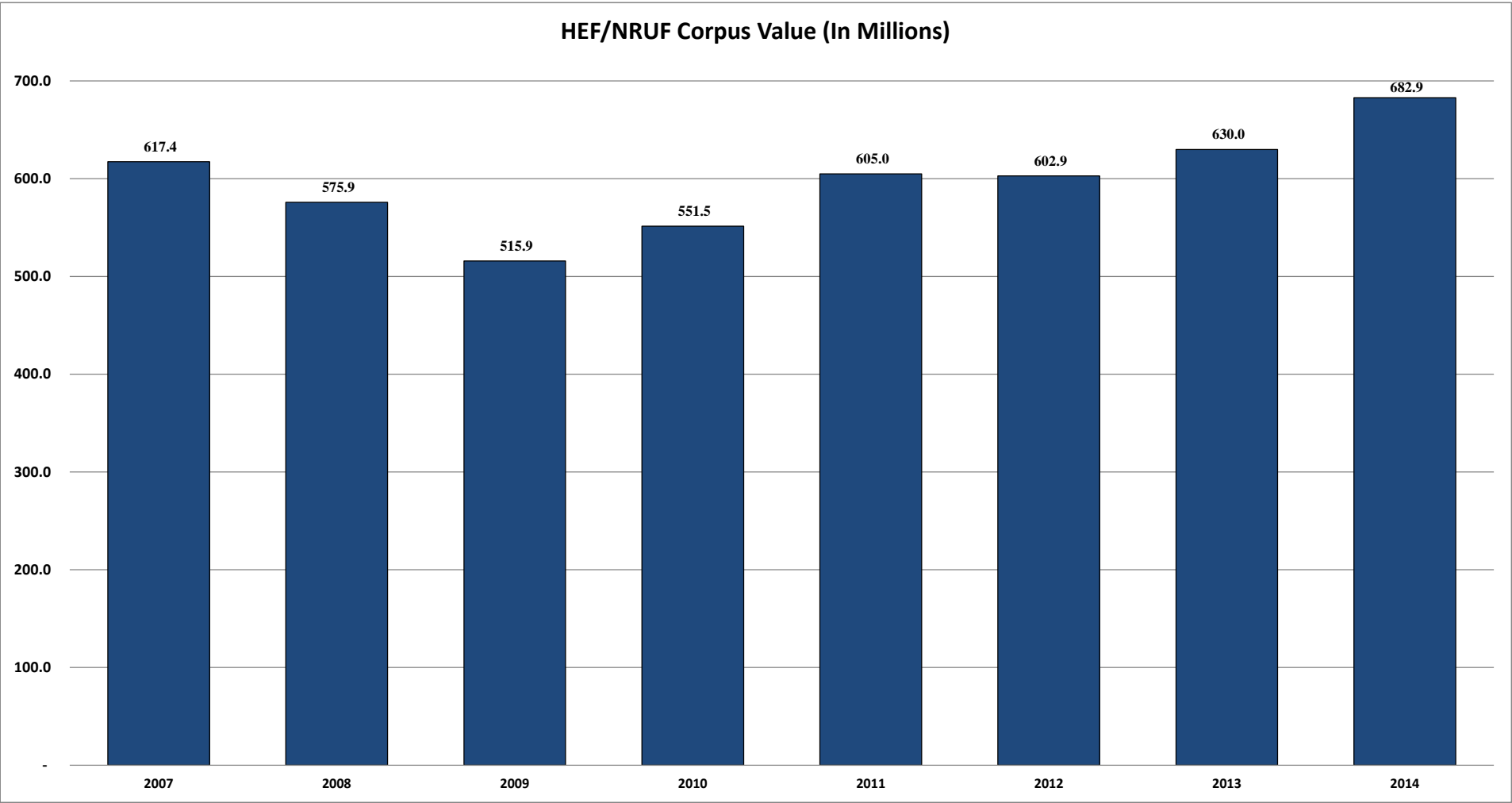
*Assuming three eligible institutions*

FY 2017 (Houston, Texas Tech, UT Dallas)	
NRUF Average Value	\$ 694,421,956
4.5 percent distribution	\$ 31,248,988
1/7 to Each Institution	\$ 4,464,141
1/4 remaining distribution to each institution	\$ 4,464,141
<b>Total to Each Institution</b>	<b>\$ 8,928,282</b>
<b>Total Distribution</b>	<b>\$ 26,784,847</b>
Amount Reinvested	\$ 4,464,141

Performance of the Permanent Higher Education Fund / National Research University Fund (2007-2014)

Fiscal Year	Corpus Value	% Change Corpus Value
2007	617.4	
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%
2013	630.0	4.5%
2014	682.9	8.4%

Proposition 4 passed in November of 2009 transferring the HEF corpus to the credit of the NRUF.



Comparison of Research Fund Eligibility for Institutions of Higher Education, 2016-17 biennium

Institution	National					Texas			
	Research University Fund	Competitive Knowledge Fund	Research Development Fund	Research Incentive Program		Research Incentive Program		Research Incentive Program	
The University of Texas at Arlington		X		X		X		X	
The University of Texas at Austin		X							
The University of Texas at Dallas		X		X		X		X	
The University of Texas at El Paso		X		X		X		X	
The University of Texas of the Permian Basin				X					
The University of Texas Rio Grande Valley				X		X			
The University of Texas at San Antonio		X		X		X		X	
The University of Texas at Tyler				X					
Texas A&M University		X							
Texas A&M University at Galveston				X					
Prairie View A&M University				X					
Tarleton State University				X					
Texas A&M University--Corpus Christi				X					
Texas A&M International University				X					
Texas A&M University--Kingsville				X					
Texas A&M University--Commerce				X					
Texas A&M University--San Antonio				X					
Texas A&M University--Texarkana				X					
Texas A&M University--Central Texas				X					
West Texas A&M University				X					
University of Houston	X	X		X		X		X	
University of Houston--Clear Lake						X			
University of Houston--Downtown				X					
University of Houston--Victoria				X					
Texas Tech University	X	X		X		X		X	
Angelo State University				X					
University of North Texas				X		X		X	
University of North Texas--Dallas				X					
Midwestern State University				X					
Stephen F. Austin State University				X					
Texas Southern University				X					
Texas Woman's University				X					
Lamar University				X					
Sul Ross University				X					
Sul Ross University--Rio Grande				X					
Sam Houston State University				X					
Texas State University				X				X	

\*This chart denotes which institutions are eligible to receive funding from each respective research fund, but does not necessarily imply those institutions have received funding from the research fund.

\*\*All general academic institutions are eligible for Norman Hackerman Advanced Research Program; however, the fund was not included in this comparison due to the relatively small size of the fund and because private institutions are also eligible recipients.

Section 3e

Comparison of Constitutional and Research Funds

Fund	2016-17 Recommendations (Estimated)	Function/Purpose	Eligibility	Legal Basis	Allocation Methodology
Available University Fund	\$1,690.5 million (Estimated)	<p>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..."</p> <p>Also:"....for the purpose of the support and maintenance of The Texas A&amp;M University System administration, Texas A&amp;M University, and Prairie View A&amp;M University" and "The University of Texas at Austin and The University of Texas System".</p>	<p>Texas Constitution:</p> <p>For "support and maintenance": UT Austin, Texas A&amp;M University, Prairie View University, UT System, A&amp;M System</p> <p>For debt service: All component institutions that are not eligible to receive HEF support, including the TAMU System Agencies except Texas Veterinary Medical Diagnostic Laboratory (which per Education Code Section 88.701 "is a state agency under the jurisdiction and supervision of the board").</p>	<p>Article VII, Section 18(a-j) of the Texas Constitution</p> <p>General Appropriations Act</p>	<p>Texas Constitution requires 1 /3 of the annual AUF proceeds be transferred to the Texas A&amp;M University System and 2/3 of the annual AUF proceeds be transferred to The University of Texas 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.</p>
Higher Education Fund	\$525.0 million	<p>To support institutions ineligible for AUF support.</p> <p>Article VII, Section 17(a): "...for the purpose of acquiring land...constructing and equipping buildings ...major repair ....acquisition of capital equipment...other permanent improvements, or capital equipment used jointly for educational and general activities...."</p>	<p>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&amp;M Systems.</p>	<p>Article VII, Section 17(a-l) of the Texas Constitution</p> <p>Education Code, Section 62.002</p> <p>General Appropriations Act</p>	<p>Article VII, Section 17(a) requires the HEF be allocated using an "equitable formula", defined in the Education Code (Section 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."</p> <p>THECB administers the HEF formula reallocation advisory process.</p> <p>Education Code (Section 62.021) provides a by-institution breakout of annual HEF appropriations.</p>



Section 3e

Comparison of Constitutional and Research Funds

Fund	2016-17 Recommendations (Estimated)	Function/Purpose	Eligibility	Legal Basis	Allocation Methodology
Available National Research University Fund	\$61.1 million (Estimated)	<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>Designated an emerging research university by Texas Higher Education Coordinating Board.</p> <p>Reports at least \$45 million in restricted research expenditures in each of the last 2 years. Plus four of the following additional criteria:</p> <p>1) Endowments &gt; \$400 million;  2) Produces &gt; 200 PhDs 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>	<p>Article VII, Section 20 (a-h) of the Texas Constitution</p> <p>Education Code, Section 62.141</p> <p>General Appropriation Act</p>	<p>Education Code, Section 62.148 (c): ".....of the total amount appropriated from the fund for distribution in a state fiscal year, each eligible institution is entitled to a distribution in an amount equal to the sum of:</p> <p>(1) one-seventh of the total amount appropriated; and</p> <p>(2) an equal share of any amount remaining after distributions are calculated under Subdivision (1), not to exceed an amount equal to one-fourth of that remaining amount."</p> <p>Education Code, Section 62.148 (e):"If the number of institutions that are eligible for distributions in a state fiscal year is more than four, each eligible institution is entitled to an equal share of the total amount appropriated from the fund for distribution in that fiscal year."</p>
Research Development Fund	\$73.6 million	Education Code Section 62.091: "...to promote increased research capacity at eligible general academic teaching institutions."	Education Code Section 62.092: "'Eligible institution' means a general academic teaching institution, as defined by Section 61.003, other than The University of Texas at Austin or Texas A&M University."	Education Code, Section 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 General Academic Institution.	Education Code Section 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."

Section 3e

Comparison of Constitutional and Research Funds

Fund	2016-17 Recommendations (Estimated)	Function/Purpose	Eligibility	Legal Basis	Allocation Methodology
Texas Competitive Knowledge Fund	\$159.2 million	Texas Education Code Section 62.052: "...to provide funding to eligible research universities and emerging research universities to support faculty to ensure excellence in instruction and research."	Education Code Section 62.051: "Eligible institution" means an institution of higher education designated as a research university under the coordinating board's accountability system and, for any three consecutive state fiscal years made total annual research expenditures in an average annual amount of not less than \$450 million or an institution designated as an emerging research university under the coordinating board's accountability system and, for any three consecutive state fiscal years made total annual research expenditures in an average annual amount of not less than \$50 million.	Education Code, Section 62.051	The 2014–15 appropriation provided approximately \$0.93 million to each eligible institution for every \$10.0 million in unrestricted research expenditures as averaged over a 3-year period
Texas Research Incentive Program	\$26.7 million	Education Code, Section 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, Section 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, Section 62.121 (House Bill 51, Eighty-first Regular Session)	<p>Education Code, Section 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:</p> <p>(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;</p> <p>(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</p> <p>(3) 100 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is \$2 million or more.</p>

**Section 3e**  
Comparison of Constitutional and Research Funds

Fund	2016-17 Recommendations (Estimated)	Function/Purpose	Eligibility	Legal Basis	Allocation Methodology
Norman Hackerman Advanced Research Program	\$1.0 million	Education Code, Section 142.002: "...to provide support for basic research conducted by faculty members and students...in eligible institutions."	Education Code, Section 142.001: "'Eligible institution' means an institution of higher education or a private or independent institution of higher education."	Education Code, Section 142.001	Education Code, Section 142.003: "The coordinating board shall appoint an advisory committee that consists of experts in the specified research areas to advises the coordinating board regarding the board's development of research priorities, guidelines, and procedures for the selection of specific projects at eligible institutions."