

Available National Research University Fund
Summary of Recommendations - Senate

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John Newton, LBB Analyst

Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial 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	\$52,500,849	\$46,326,661	(\$6,174,188)	(11.8%)
All Funds	\$52,500,849	\$46,326,661	(\$6,174,188)	(11.8%)

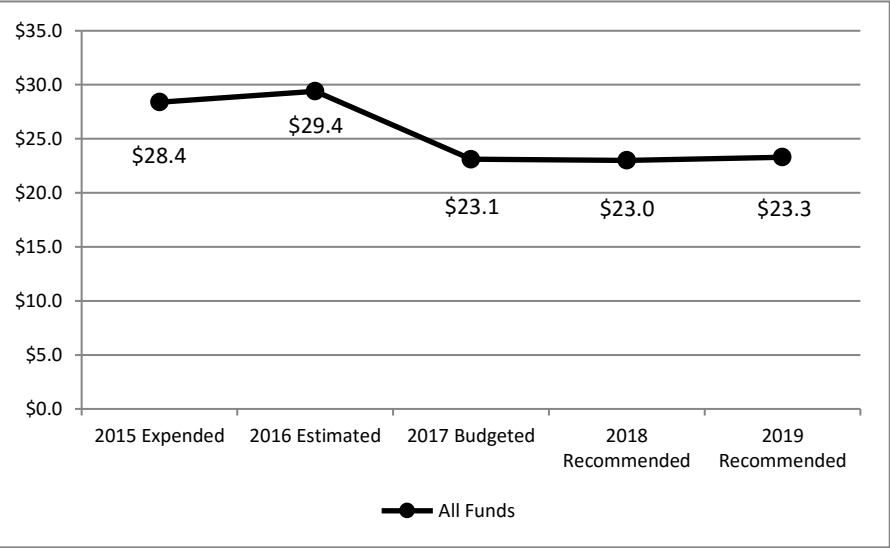
	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	N/A	N/A	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

The National University Research University Fund (NRUF) is authorized in the Texas Constitution, Article VII, Section 20. The NRUF provides funding for General Academic Institutions (GAIs) that are eligible emerging research universities as determined by the Texas Higher Education Coordinating Board. NRUF appropriations may only be used by eligible GAIs for the support and maintenance of educational and general activities that promote increased research capacity.

The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

Historical Funding Levels (Millions)



Available National Research University Fund
Summary of Funding Changes and Recommendations - Senate

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Decrease in estimated available appropriations because of changes in Texas Treasury Safekeeping Trust Company assumptions and policies regarding projected market returns and distribution rate.	\$0.0	\$0.0	\$0.0	(\$6.2)	(\$6.2)	A.1.1.
TOTAL SIGNIFICANT Funding Changes and Recommendations (in millions)		\$0.0	\$0.0	\$0.0	(\$6.2)	(\$6.2)	As Listed
<i>SIGNIFICANT Funding Increases</i>		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed
<i>SIGNIFICANT Funding Decreases</i>		\$0.0	\$0.0	\$0.0	(\$6.2)	(\$6.2)	As Listed

NOTE: Totals may not sum due to rounding.

**Available National Research University Fund
Selected Fiscal and Policy Issues - Senate**

1. **Estimated Available Appropriations from the National Research University Fund (NRUF) for the 2018-19 biennium.** Recommendations include a \$6.2 million decrease in estimated available appropriations from NRUF for the 2018-19 biennium. The estimated available NRUF appropriations for the 2018-19 biennium total \$46.3 million in Other Funds.
2. **Basis for the Estimated Available Appropriations from NRUF.** The Texas Comptroller, through the Texas Treasury Safekeeping Trust Company (TTSTC), determines the amount of available NRUF appropriations for each fiscal year pursuant to Texas Education Code, Section 62.148 requirements. The total amount appropriated from NRUF for any state fiscal year may not exceed an amount equal to 4.5 percent of the average value of the NRUF corpus for the previous three fiscal years. For fiscal year 2016, TTSTC determined the available NRUF appropriation amount based on a 4.5 percent rate; and for fiscal years 2017-19 TTSTC has reduced the rate to 3.5 percent for each fiscal year due to lower expected market returns in the coming decade. The total value of NRUF on August 31, 2016 was \$657.0 million (see page 5 for historical values).
3. **Distribution of Available NRUF Appropriations.** The distribution of available NRUF appropriations and the university eligibility requirements are set forth in the Texas Constitution, Article VII, Section 20 and Texas Education Code, Subchapter G. Of the total available NRUF appropriations, each eligible institution receives a fiscal year distribution amount equal to the sum of:
 - one-seventh of the total amount appropriated; and
 - an equal share of any amount remaining after distributions are calculated, not to exceed one-fourth of the remaining amount.
 However, if more than four institutions are eligible to receive NRUF appropriations, then each eligible institution is entitled to receive an equal share of the total available.

Currently, the University of Houston and Texas Tech University are eligible to receive NRUF appropriations for the 2016-17 and 2018-19 biennia. Of the remaining emerging research universities, The University of Texas at Dallas (UT Dallas) and The University of Texas at El Paso (UT El Paso) may also become eligible to receive NRUF appropriations in the 2018-19 biennium according to the Texas Higher Education Coordinating Board (THECB). THECB reports that eligibility approval for UT Dallas and UT El Paso is dependent on three conditions:

- either institution reaches the mandatory requirement of \$45.0 million in restricted research expenditures in fiscal year 2016 (both institutions reached that threshold in fiscal year 2015 and two consecutive fiscal years are required);
- the institution then also meets four of the six optional criteria listed in statute; and
- the State Auditor completes an audit of the information used for eligibility.

THECB has not yet received all necessary data for eligibility determinations for the 2018-19 biennium, but anticipates completion of its NRUF report by February 2017.

Detailed on the next page is the distribution of available NRUF appropriations for the 2016-17 biennium; and alternative scenarios for the 2018-19 biennium.

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

Distribution of
Available
NRUF
Appropriations
for the
2016-17
and
2018-19
Biennia

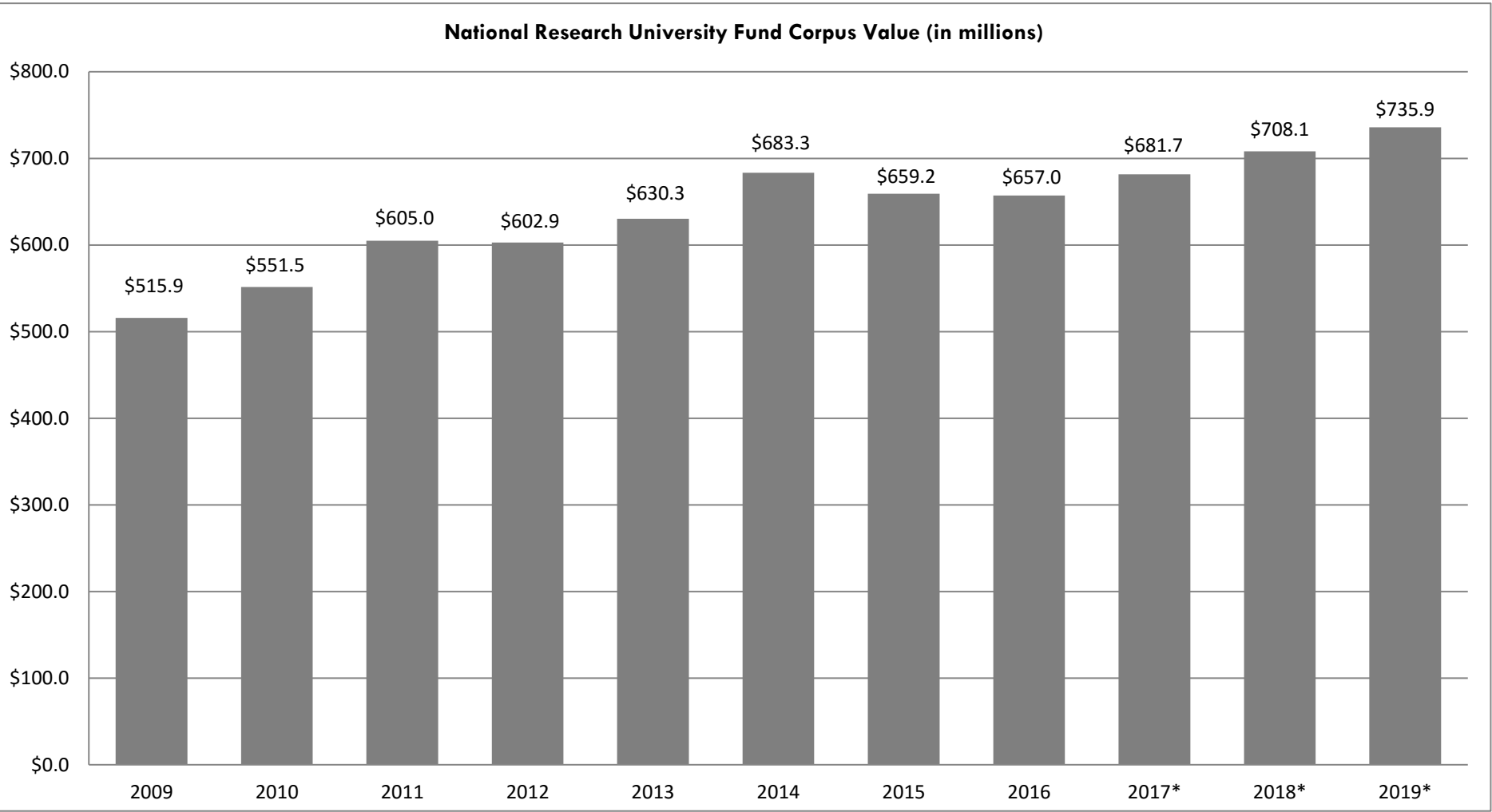
Eligible Institutions	Available NRUF Appropriations for 2016-17 ¹	Available NRUF Appropriations distributed in 2016-17	2016-17 NRUF Appropriations per Institution	Available NRUF Appropriations for 2018-19 ^{1, 2}	Available NRUF Appropriations distributed in 2018-19	2018-19 NRUF Appropriations per Institution
(Assume 2 Institutions) Houston and Texas Tech	\$ 52,500,849	\$ 33,750,545	\$ 16,875,273	\$ 46,326,661	\$ 29,781,425	\$ 14,890,712
(Assume 3 Institutions) Houston and Texas Tech and UT Dallas or UT El Paso				\$ 46,267,811	\$ 39,658,124	\$ 13,219,375
(Assume 4 Institutions) Houston and Texas Tech and UT Dallas and UT El Paso				\$ 46,228,577	\$ 46,228,577	\$ 11,557,144

Notes: 1) Fiscal years 2017-19 data is estimated.
2) Amounts vary for "Available NRUF Appropriations for 2018-19" due to differences in fiscal year 2018 distributions and the associated impact on the value of the NRUF corpus.
Sources: Texas Treasury Safekeeping Trust Company, Texas Higher Education Coordinating Board

Available National Research University Fund - Senate
Performance of the National Research University Fund (FY2009-19)

Section 3a

Fiscal Year	Corpus Value (in millions)	% Change Corpus Value
2009	\$ 515.9	0.0%
2010	\$ 551.5	6.9%
2011	\$ 605.0	9.7%
2012	\$ 602.9	(0.3%)
2013	\$ 630.3	4.5%
2014	\$ 683.3	8.4%
2015	\$ 659.2	(3.5%)
2016	\$ 657.0	(0.3%)
2017*	\$ 681.7	3.8%
2018*	\$ 708.1	3.9%
2019*	\$ 735.9	3.9%
Note: *FY2017-19 data is estimated. Source: Texas Treasury Safekeeping Trust Company		



**Available National Research University Fund
Rider Highlights - Senate**

New Riders

2. **Appropriation: Unexpended Balances.** Recommendations include a new rider that appropriates unexpended balances of National Research University Fund money received by an eligible institution. The rider reflects unexpended balance authority provided in the Texas Education Code, Section 62.149(c).

Available National Research University Fund
Items Not Included in Recommendations - Senate

		2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Items - In Agency Priority Order							
1)	The University of Texas System and Texas Tech University System request rider authority to earn and retain interest on appropriations received from the National Research University Fund.	\$0	\$0	0.0	No	No	\$0
TOTAL Items Not Included in Recommendations		\$0	\$0	0.0			\$0

Available National Research University Fund
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
DISTRIBUTE TO ELIGIBLE INSTITUTIONS A.1.1	\$52,500,849	\$46,326,661	(\$6,174,188)	(11.8%)	Recommendations include a \$6.2 million decrease in estimated available appropriations from the National Research University Fund (NRUF) for the 2018-19 biennium. The Texas Comptroller, through the Texas Treasury Safekeeping Trust Company (TTSTC), determines the amount of available NRUF appropriations for each fiscal year pursuant to Texas Education Code, Section 62.148 requirements. The total amount appropriated from NRUF for any state fiscal year may not exceed an amount equal to 4.5 percent of the average value of the NRUF corpus for the previous three fiscal years. For fiscal year 2016, TTSTC determined the available NRUF appropriation amount based on a 4.5 percent rate; and for fiscal years 2017-19 TTSTC has reduced the rate to 3.5 percent for each fiscal year due to lower expected market returns in the coming decade. See Sections 3 and 3a (pages 3-5) for additional details.
Total, Goal A, MANAGE/ADMINISTER ENDOWMENT FUNDS	\$52,500,849	\$46,326,661	(\$6,174,188)	(11.8%)	
Grand Total, All Strategies	\$52,500,849	\$46,326,661	(\$6,174,188)	(11.8%)	