

Available National Research University Fund
Summary of Budget Recommendations - Senate

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Method of Financing	2022-23 Base	2024-25 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	\$57,491,441	\$57,737,264	\$245,823	0.4%
All Funds	\$57,491,441	\$57,737,264	\$245,823	0.4%

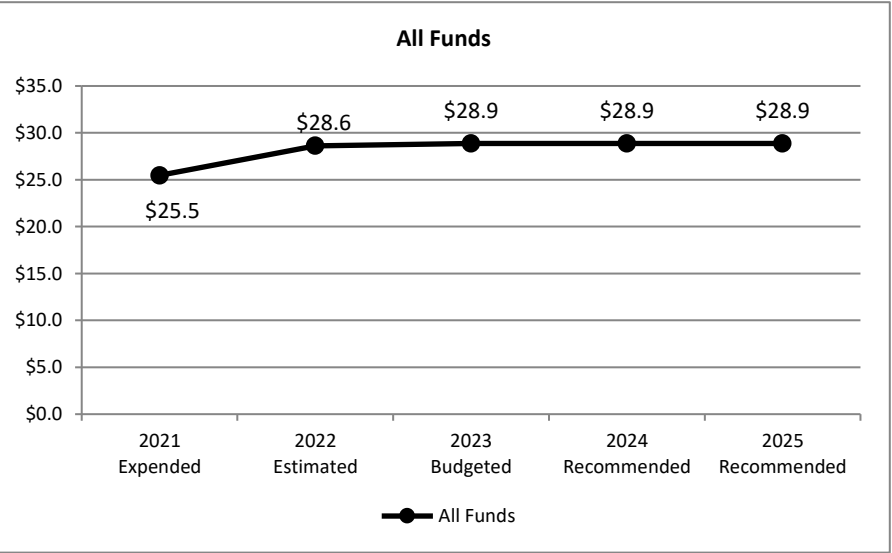
	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	0.0	0.0	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

The National Research University Fund (NRUF) is authorized by 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 (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

Historical Funding Levels (Millions)



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

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):							
A)	Increase in estimated available appropriations due to Texas Treasury Safekeeping Trust Company assumptions and policies regarding projected market returns and distribution rate.	\$0.0	\$0.0	\$0.0	\$0.2	\$0.2	A.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$0.0	\$0.0	\$0.0	\$0.2	\$0.2	As Listed
SIGNIFICANT & OTHER Funding Increases		\$0.0	\$0.0	\$0.0	\$0.2	\$0.2	As Listed
SIGNIFICANT & OTHER Funding Decreases		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

NOTE: Totals may not sum due to rounding.

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

1. **Basis for the Estimated Available Appropriations from NRUF.** The Comptroller of Public Accounts, through the Texas Treasury Safekeeping Trust Company (TTSTC), determines the amount of Available National Research University Fund (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 2021, TTSTC determined the available NRUF appropriation amount based on an effective distribution rate of 3.5 percent times the 12 fiscal quarter moving-average value of the fund as of August 31, 2020, which was \$727.9 million. The current net asset value of NRUF, which factors in the original corpus plus net earnings of the investment over time less distributions, is \$896.4 million as of August 31, 2022 (see page 6 for historical values).
2. **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, Chapter 62, 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 available; 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 receives an equal share of the total appropriation.

Currently, the University of Houston, Texas Tech University, University of Texas at Dallas, and University of Texas at Arlington are eligible to receive NRUF appropriations. As stated in Texas Education Code 62.145, to become eligible, institutions must satisfy the following conditions for two state fiscal years:

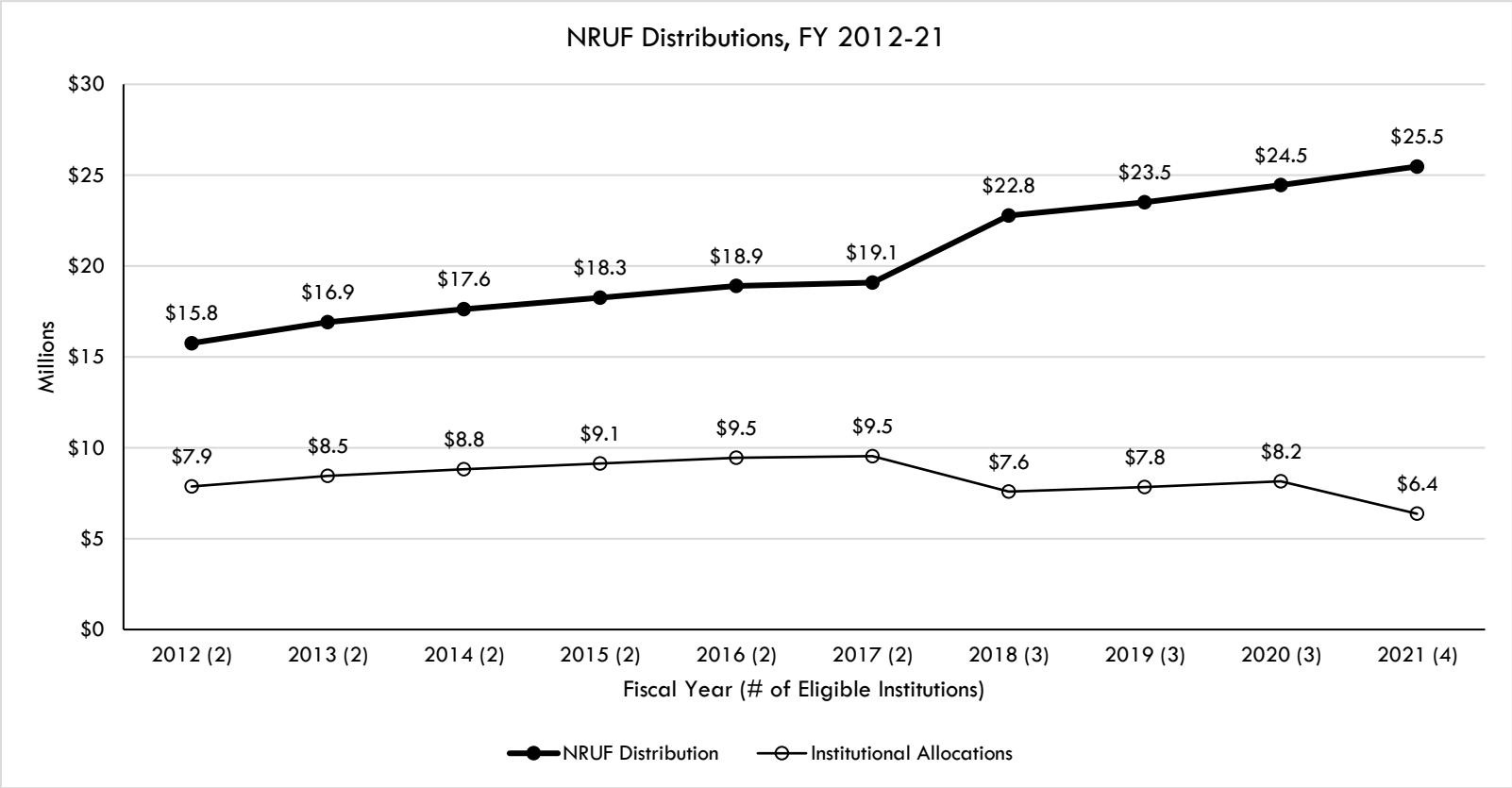
- Satisfy two mandatory criteria by (1) being designated as an emerging research university by the Texas Higher Education Coordinating Board's (THECB) Accountability System and (2) expending at least \$45 million in restricted research funds; and
- Satisfy four of six optional criteria which indicate the institution's academic excellence (e.g., demonstrate that students and faculty are of high academic achievement, demonstrate commitment to high-quality graduate education).

Texas Education Code Sec. 62.146(b) requires THECB to annually certify to the Comptroller and Legislature verified information related to the NRUF criteria to determine which institutions are eligible for distributions. According to the May 2022 NRUF Eligibility Report, of the remaining emerging research universities, The University of Texas at San Antonio could have been eligible to receive a distribution from NRUF beginning in fiscal year 2022; however, a required audit from the State Auditor's Office (SAO) found that the institution did not meet the mandatory criteria in fiscal year 2020. According to the eligibility report:

- UT San Antonio reported restricted research expenditures above the threshold of \$45 million in FY 2020-21. However, the SAO audit of this information found that while the institution met the threshold in fiscal year 2021, it did not meet the threshold in fiscal year 2020. In both fiscal years, the institution reported – and the SAO report confirmed – that it fulfilled four of six optional criteria required for eligibility. UT San Antonio would have to meet the restricted research expenditures threshold and optional criteria again in fiscal 2022 to be eligible for NRUF in fiscal year 2023.
- UT El Paso met the two mandatory criteria and one optional criterion for NRUF funding in fiscal years 2020 and 2021. The institution would have to satisfy three more optional criteria for two consecutive years to qualify for the NRUF.
- Texas State University and the University of North Texas, the two remaining emerging research universities, did not reach the mandatory threshold for research expenditures and are not expected to reach it in fiscal year 2022.

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

As more institutions have qualified to receive distributions from NRUF, total distributions have increased while institutional allocations have slightly decreased. Significant decreases in allocations can be seen in fiscal 2018, when UT Dallas qualified, and fiscal 2021, when UT Arlington qualified. Allocations may continue to decrease as more institutions qualify. See page 5 for distribution scenarios for fiscal years 2022 through 2025 based on the number of NRUF-eligible institutions.



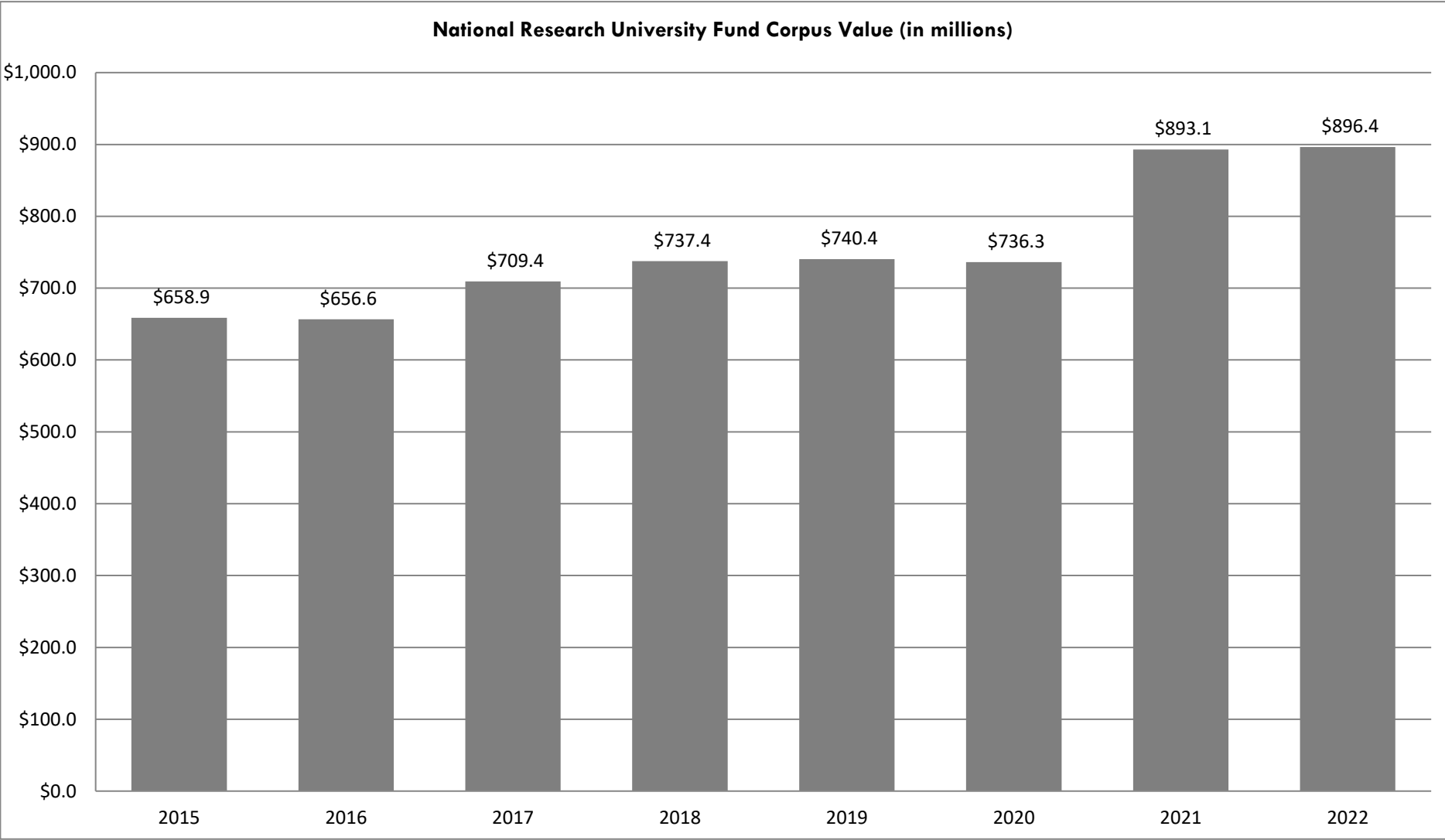
Available National Research University Fund
Selected Fiscal and Policy Issues - Senate

Distribution of Available NRUF Appropriations for Fiscal Years 2022-25								
Scenario of Eligible Institutions	FY 2022		FY 2023		FY 2024		FY 2025	
	Total Distribution ^{1,3}	Allocation per Institution	Total Distribution ³	Allocation per Institution	Total Distribution ^{2,3}	Allocation per Institution	Total Distribution ^{2,3}	Allocation per Institution
4 Institutions: Houston, Texas Tech, UT Dallas and UT Arlington	\$28,622,809	\$7,155,702	\$28,868,632	\$7,217,158	\$28,868,632	\$7,217,158	\$28,868,632	\$7,217,158
5 Institutions: Houston, Texas Tech, UT Dallas, and UT Arlington + UT San Antonio	*	*	\$28,868,632	\$5,773,726	\$28,868,632	\$5,773,726	\$28,868,632	\$5,773,726
6 Institutions: Houston, Texas Tech, UT Dallas, and UT Arlington + UT San Antonio and UT El Paso	*	*	*	*	\$28,868,632	\$4,811,439	\$28,868,632	\$4,811,439
<p>Notes: 1) While the total distribution for fiscal year 2022 was calculated according to five eligible institutions, a mandatory audit found that UT San Antonio did not qualify for an allocation. 2) Fiscal years 2024-25 data is estimated. 3) Distributions in fiscal years 2022-25 calculated at 3.5% rate. * Amount not applicable based on possible institution eligibility for that fiscal year. Sources: Texas Treasury Safekeeping Trust Company, Texas Higher Education Coordinating Board</p>								

Available National Research University Fund
Performance of the National Research University Fund (FY 2015-22) - Senate

Section 3a

Fiscal Year	Net Asset Value (in millions)	% Change in Value
2015	\$ 658.9	(3.5%)
2016	\$ 656.6	(0.3%)
2017	\$ 709.4	8.0%
2018	\$ 737.4	3.9%
2019	\$ 740.4	0.4%
2020	\$ 736.3	(0.5%)
2021	\$ 893.1	21.3%
2022	\$ 896.4	0.4%
<p><u>Note:</u> The Net Asset Value is the value of the original corpus plus net earnings of investments over time, less distributions.</p> <p><u>Source:</u> Texas Treasury Safekeeping Trust Company</p>		



**Available National Research University Fund
Appendices - Senate**

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* Appendix is not included - no significant information to report

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

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
DISTRIBUTE TO ELIGIBLE INSTITUTIONS A.1.1	\$57,491,441	\$57,737,264	\$245,823	0.4%	Recommendations include a \$0.2 million increase in estimated available appropriations from the National Research University Fund (NRUF) for the 2024-25 biennium. The Texas Comptroller, through the Texas Treasury Safekeeping and 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 2022, TTSTC determined the available NRUF appropriation amount based on a 3.5 percent rate. See Sections 3 and 3a for additional details.
Total, Goal A, MANAGE/ADMINISTER ENDOWMENT FUNDS	\$57,491,441	\$57,737,264	\$245,823	0.4%	
Grand Total, All Strategies	\$57,491,441	\$57,737,264	\$245,823	0.4%	