

Proposition 5

(H.J.R. 3, 88th Leg., R.S.)

The constitutional amendment relating to the Texas University Fund, which provides funding to certain institutions of higher education to achieve national prominence as major research universities and drive the state economy.

SUMMARY ANALYSIS

H.J.R. 3, 88th Legislature, Regular Session, 2023, proposes an amendment to the Texas Constitution to rename the national research university fund, which is used to support emerging research universities in Texas, as the Texas University Fund. The amendment would exclude state universities that are supported by the Permanent University Fund from eligibility to receive money from the Texas University Fund, and exempt money in the fund and state tax revenues appropriated to the fund from the constitutional state spending cap, which generally limits the rate of growth of appropriations. The proposed amendment further provides for a dedicated source of revenue for the Texas University Fund from the interest income, dividends, and investment earnings attributable to the state's economic stabilization fund ("rainy day fund"), not to exceed \$100 million per state fiscal year, as adjusted for inflation up to two percent per state fiscal year after the 2024 state fiscal year.

BACKGROUND AND DETAILED ANALYSIS

Section 20, Article VII, Texas Constitution, established the national research university fund in 2009 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. The section provides that the legislature by general law may establish the criteria by which a state university becomes eligible to receive money from the fund and that a state university that becomes eligible to receive money from the fund in a state fiscal biennium remains eligible to receive money from the fund in any subsequent state fiscal biennium. The University of Texas at Austin and Texas A&M University, however, are not eligible to receive money from the fund.

Section 22, Article VIII, Texas Constitution, often referred to as the constitutional spending limit, provides that the rate of growth of appropriations from state tax revenues not dedicated by the Texas Constitution for a state fiscal biennium may not exceed the estimated rate of growth of the state's economy for that biennium. The section authorizes the legislature to provide for appropriations in excess of that limit by a resolution approved by a majority vote of each house finding that an emergency exists and identifying the nature of the emergency.

The constitutional amendment proposed by H.J.R. 3, 88th Legislature, Regular Session, 2023, amends Section 20, Article VII, Texas Constitution, to rename the national research university fund as the Texas University Fund, remove the provision stating that a state university that becomes eligible to receive money from the fund in a state fiscal biennium remains permanently eligible to receive money from the fund, and expand the state universities that are ineligible to receive money from the fund to include any state university that is entitled to participate in funding from the available university fund under Section 18, Article VII, Texas Constitution. Currently, only certain component institutions of The University of Texas System or The Texas A&M University System are entitled to participate in funding from the available university fund. The proposed amendment further provides that, for purposes of determining whether the rate of growth of appropriations from state tax revenues not dedicated by the Texas Constitution for a state fiscal biennium has exceeded the constitutional spending limit, money in the Texas University Fund is dedicated by the Texas Constitution and an appropriation of state tax revenues for the purpose of depositing money to the credit of the fund is treated as if it were an appropriation of revenues dedicated by the Texas Constitution, which has the effect of eliminating appropriations to the new fund from the spending limit.

The proposed amendment additionally provides for a dedicated source of revenue for the Texas University Fund from the interest income, dividends, and investment earnings attributable to the state economic stabilization fund established under Section 49-g, Article III, Texas Constitution, also known as the rainy day fund. Under that provision of the proposed amendment, for each state fiscal year, a certain amount of the interest income, dividends, and investment earnings attributable to the economic stabilization fund for the preceding state fiscal year is appropriated to the comptroller of public accounts for the purpose of immediate deposit to the credit of the Texas University Fund. The amount of the appropriation is limited to \$100 million for the state fiscal year beginning September 1, 2023, and that limit is adjusted for each subsequent state fiscal year for inflation, if any, as determined by

the comptroller on the basis of changes in the national consumer price index and not to exceed two percent per state fiscal year.

H.B. 1595, 88th Legislature, Regular Session, 2023, is the enabling legislation for the proposed amendment. That legislation provides for the management of the Texas University Fund, adjusts the criteria for a state university to become eligible to receive money from the Texas University Fund as well as the method of determining each eligible state university's share of the fund, and provides for conforming changes for other statutory funds that promote increased research capacity at certain state universities.

SUMMARY OF COMMENTS

The following comments supporting or opposing the proposed amendment reflect positions that were presented in committee proceedings, during house or senate floor debate, or in the analysis of the resolution prepared by the House Research Organization (HRO) when the resolution was considered by the House of Representatives.

Comments by Supporters

- Providing a predictable and sustainable source of funding for high-quality research at universities in Texas that do not have access to the Permanent University Fund will help ensure that the future workforce needs of the state are met and that the state's economy continues to grow.
- Increased investment in cutting-edge research at universities in Texas is key to the state remaining competitive with other states making similar investments.
- Investing in research at the state level will help attract federal and private research funding and improve the caliber of the state's research universities. This will make it easier to recruit students and faculty.
- Previous legislation establishing higher education research funds has been successful in helping universities increase their research capabilities. The additional funding provided through H.J.R. 3 will allow these universities to continue their growth.

Comments by Opponents

- No opposition to the proposed constitutional amendment was expressed during legislative consideration of the proposal. However, a review of other sources indicates concern about the use of money from the economic stabilization fund (often referred to as the “rainy day fund”) to fund higher education initiatives since that fund was not designed for such purposes.

Text of H.J.R. 3

A JOINT RESOLUTION

proposing a constitutional amendment relating to the Texas University Fund, which provides funding to certain institutions of higher education to achieve national prominence as major research universities and drive the state economy.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 49-g, Article III, Texas Constitution, is amended by adding Subsections (p) and (q) to read as follows:

(p) On the first business day occurring on or after the 90th day of each state fiscal year, an amount equal to the interest income, dividends, and investment earnings attributable to the economic stabilization fund for the preceding state fiscal year, not to exceed the amount determined under Subsection (q) of this section, is appropriated from the economic stabilization fund to the comptroller of public accounts for the purpose of immediate deposit to the credit of the Texas University Fund. For purposes of this subsection, the amount of interest income, dividends, and investment earnings attributable to the economic stabilization fund for a state fiscal year is computed by:

(1) determining the amount of interest and dividends due to the fund for that fiscal year, including any interest credited to general revenue under Subsection (i) of this section;

(2) adding to the amount determined under Subdivision (1) of this subsection an amount equal to the increase, if any, in the fair market value of the fund between the last day of that fiscal year and the last day of the preceding state fiscal year; and

(3) subtracting from the amount determined under Subdivision (2) of this subsection the amount of any expenses of managing the investments of money in the fund that are paid from the fund during that fiscal year.

(q) The amount of the appropriation made under Subsection (p) of this section may not exceed:

(1) for the state fiscal year beginning September 1, 2023, \$100 million; or

(2) for a state fiscal year beginning on or after September 1, 2024, the amount determined under this subsection for the preceding state fiscal year adjusted by the increase, if any, in the general price level during the preceding state fiscal year, as determined by the comptroller of public accounts on the basis of

changes in the consumer price index published by the Bureau of Labor Statistics of the United States Department of Labor or a successor agency and not to exceed two percent per state fiscal year.

SECTION 2. Section 20, Article VII, Texas Constitution, is amended by amending Subsections (a) and (g) and adding Subsection (i) to read as follows:

(a) There is established the Texas University Fund [~~national research university fund~~] 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.

(g) The legislature shall establish criteria by which a state university may become eligible to receive a portion of the distributions from the fund. A state university that is entitled to participate in dedicated funding provided by Section 18 of this article is [~~becomes eligible to receive a portion of the distributions from the fund in a state fiscal biennium remains eligible to receive additional distributions from the fund in any subsequent state fiscal biennium. The University of Texas at Austin and Texas A&M University are~~] not eligible to receive money from the fund.

(i) For purposes of Section 22, Article VIII, of this constitution:

(1) money in the fund is dedicated by this constitution; and

(2) an appropriation of state tax revenues for the purpose of depositing money to the credit of the fund is treated as if it were an appropriation of revenues dedicated by this constitution.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 7, 2023. The ballot shall be printed to permit voting for or against the proposition: “The constitutional amendment relating to the Texas University Fund, which provides funding to certain institutions of higher education to achieve national prominence as major research universities and drive the state economy.”

House Author: Bonnen

Senate Sponsor: Huffman