

ANALYSES OF PROPOSED CONSTITUTIONAL AMENDMENTS

88th Texas Legislature November 7, 2023, Election

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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

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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.