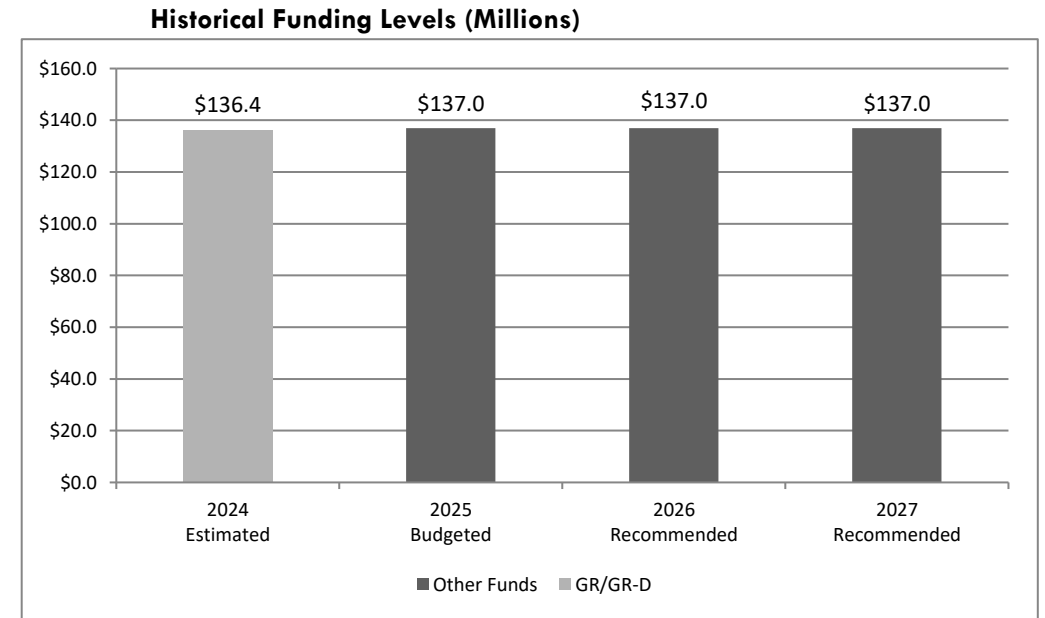


**Available Texas University Fund
Summary of Budget Recommendations - Senate**

Page III-90

Chloe Powers, LBB Analyst

Method of Financing	2024-25 Base	2026-27 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$136,364,139	\$0	(\$136,364,139)	(100.0%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$136,364,139</i>	<i>\$0</i>	<i>(\$136,364,139)</i>	<i>(100.0%)</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$137,000,000	\$274,000,000	\$137,000,000	100.0%
All Funds	\$273,364,139	\$274,000,000	\$635,861	0.2%



	FY 2025 Budgeted	FY 2027 Recommended	Biennial Change	Percent Change
FTEs	0.0	0.0	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

The Texas University Fund (TUF) is authorized by the Texas Constitution, Article VII, Section 20. The TUF provides funding to certain General Academic Institutions (GAIs) for the purpose of achieving national prominence as major research universities and driving the state economy. TUF appropriations may only be used by eligible GAIs for the support and maintenance of educational and general activities that promote research capacity.

The bill pattern for this agency (2026-27 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2026-27 biennium.

**Available Texas University Fund
Summary of Funding Changes and Recommendations - Senate**

Funding Changes and Recommendations for the 2026-27 Biennium compared to the 2024-25 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) 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	\$0.6	\$0.6	A.1.1, B.1.1
B) Decrease in one-time General Revenue appropriations used for initial distribution offset by equivalent increase in Available Texas University Fund in the 2026-27 biennium.	(\$136.4)	\$0.0	\$0.0	\$136.4	\$0.0	A.1.1, B.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)	(\$136.4)	\$0.0	\$0.0	\$137.0	\$0.6	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>	\$0.0	\$0.0	\$0.0	\$137.0	\$0.6	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>	(\$136.4)	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

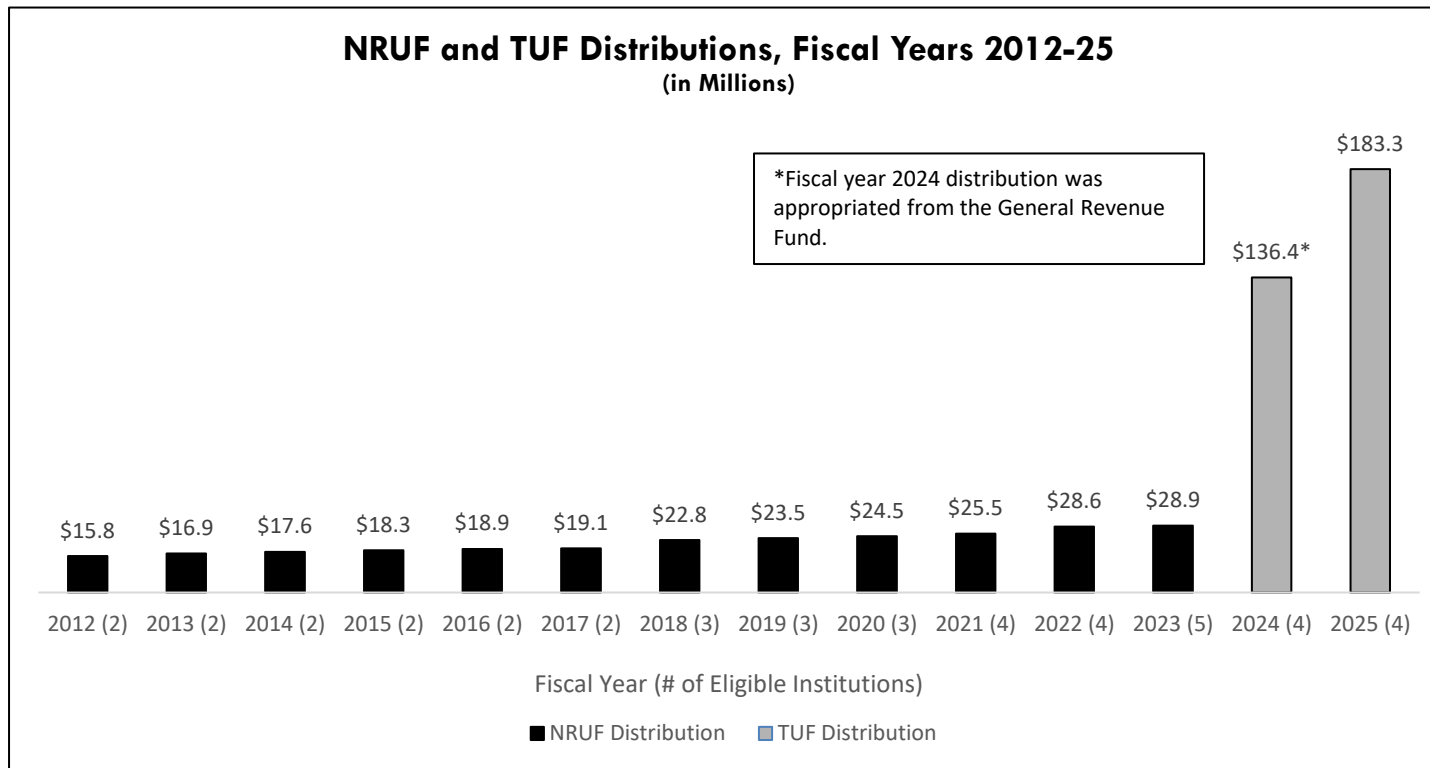
NOTE: Totals may not sum due to rounding.

**Available Texas University Fund
Selected Fiscal and Policy Issues - Senate**

- Basis for the Estimated Available Appropriations from TUF.** In 2023, the Eighty-eighth Legislature enacted House Bill 1595, which, in conjunction with voter approval of House Joint Resolution 3, redesignated the National Research University Fund (NRUF) as the Texas University Fund (TUF). The TUF corpus consists of the NRUF corpus and a \$3.0 billion appropriation in fiscal year 2023. Additionally, Texas Constitution, Article III, Section 49-g provides for an annual appropriation of up to \$100.0 million, or an amount adjusted for inflation of up to 2.0 percent, from the Economic Stabilization Fund to the TUF.

The Texas Treasury Safekeeping Trust Company (TTSTC) determines the amount of available TUF distribution for each fiscal year pursuant to Education Code, Section 62.143 requirements. The total amount appropriated from TUF for any state fiscal year may not exceed an amount equal to 7.0 percent of the average net market value of the investment assets of the fund. For fiscal year 2024, in lieu of a distribution from the TUF, the Eighty-eighth Legislature, 2023, appropriated \$136.4 million in General Revenue for distribution to eligible institutions. The current net asset value of TUF as of August 31, 2024, is \$4.2 billion.

- Historical NRUF Distributions compared to TUF Distribution.** The following chart reflects the annual NRUF distributions from fiscal years 2012 to 2023 as well as the TUF distributions for fiscal years 2024 and 2025. While total NRUF distributions increased over this time, the institutional allocations decreased as more institutions qualified for distributions, ranging from two eligible institutions through fiscal year 2017 to five eligible institutions in fiscal year 2023.



3. **Distribution of Available TUF Appropriations.** The distribution of available TUF appropriations and the university eligibility requirements are set forth in the Texas Constitution, Article VII, Section 20 and Education Code, Chapter 62, Subchapter G.

Currently, the University of Houston, Texas Tech University, Texas State University, and the University of North Texas are eligible to receive TUF appropriations. Per Education Code, Section 62.145, **another institution may become eligible if the following criteria are met:**

- The institution is not entitled to participate in the Permanent University Fund;
- The institution spent on average at least \$20 million, or an amount adjusted for inflation, in federal and private research funds per year in the preceding three fiscal years;
- The institution awarded on average at least 45 research doctoral degrees per year in the preceding three academic years; and
- The Legislature appropriates money to the fund in an amount sufficient to ensure a stable and predictable stream of annual distributions from the TUF to each eligible institution.

Of the amount appropriated from the ATUF for distribution, **75 percent must be allocated to the permanent endowment for education and research (PEER) base funding and 25 percent must be allocated to research performance funding.**

PEER base funding is allocated as follows, per Education Code, Section 62.1481:

- Level 1: Institutions that spent at least \$45 million, adjusted for inflation, in federal and private research funds in each of the preceding two fiscal years are entitled to an amount computed by dividing two by the sum of:
 - The number of eligible institutions that spent at least \$45 million, adjusted for inflation, in federal and private research funds, multiplied by two; and
 - The number of eligible institutions that did not spend at least \$45 million, adjusted for inflation, in federal and private research funds; and
- Level 2: Institutions that did not spend at least \$45 million, adjusted for inflation, in federal and private research funds in each of the preceding two fiscal years are entitled to half the amount to which such an institution is entitled.

Research performance funding is allocated as follows, per Education Code, Section 62.1482:

- From 85 percent of the funding, an eligible institution is entitled to a distribution in an amount proportionate to the average amount of federal and private research funds the institution spends per fiscal year during the preceding three fiscal years as compared to the average of those funds all eligible institutions spend during that period; and
- From 15 percent of the funding, an eligible institution is entitled to a distribution in an amount proportionate to the average number of research doctoral degrees the institution awards per academic year during the preceding three academic years as compared to the average number of those degrees all eligible institutions award during that period.

Education Code, Section 62.132, provides that the Texas Higher Education Coordinating Board (THECB) will establish the eligibility threshold for entry into TUF or into TUF Level 1 PEER Base Funding. Per Texas Administrative Code, Section 15.23, THECB used the most recently available data on research expenditures and doctoral degrees awarded to calculate eligibility for fiscal year 2025.

4. **Entry into TUF or Movement Within TUF Funding Levels.** As fiscal year 2024 data will not be available until March 2025, THECB determined TUF eligibility for fiscal year 2025 based on data from fiscal years 2021, 2022, and 2023. Based on the data, THECB determined that while no additional institutions are eligible for fiscal year 2025, Texas State University is approaching eligibility for Level 1 Base Funding and Texas A&M University – Corpus Christi is approaching eligibility for TUF entry. Additionally, UNT has reported increases in research expenditures and is anticipating movement between base funding levels. A statutory condition for a new institution to become eligible to receive a distribution or for a current institution to become eligible to receive Level 1 funding is the legislature

appropriating an amount that is sufficient to ensure as nearly as practicable a stable and predictable stream of annual distributions from the fund to each eligible institution. According to THECB, the table below shows the estimated appropriation necessary for such potential scenarios based on the August 31, 2024, corpus valuation. **Recommendations include a contingency rider within the Fiscal Programs - Comptroller of Public Accounts bill pattern to provide up to \$1.3 billion in General Revenue for deposit into the TUF to ensure stable funding for currently eligible institutions should additional institutions of higher education become TUF-eligible or become eligible for Level 1 Base Funding.** The contingency rider makes \$650.0 million available for deposit for each instance of such eligibility changes certified by THECB.

Scenario	Estimated Appropriation
Entry of an additional institution into TUF	\$702.7 million
Entry of a TUF-eligible institution into Level 1 Base Funding	\$702.7 million
Both Scenarios in the same fiscal year	\$1,405.5 million
Note: Estimated appropriation is based on the August 31, 2024, corpus valuation.	

The following table reflects the current share of PEER base funding per institution, as well as the adjusted allocation if Texas State University was to become eligible for Level 1 PEER Base Funding and if Texas A&M University – Corpus Christi was to become eligible for TUF.

Distribution of Permanent Endowment for Education and Research Base Funding			
Institution	Current Allocation	Allocation with Texas State Level 1 Eligibility	Allocation with Texas State Level 1 Eligibility and TAMU-CC TUF Eligibility
University of Houston	33.3% (1/3)	28.6% (2/7)	25.0% (1/4)
Texas Tech University	33.3% (1/3)	28.6% (2/7)	25.0% (1/4)
Texas State University	16.7% (1/6)	28.6% (2/7)	25.0% (1/4)
University of North Texas	16.7% (1/6)	14.3% (1/7)	12.5% (1/8)
Texas A&M University- Corpus Christi	*	*	12.5% (1/8)

**Available Texas University Fund
Rider Highlights - Senate**

Modification of Existing Riders

1. **Distribution to Eligible Institutions.** Recommendations update fiscal years and ensure statutory citations are consistent.
3. **Appropriation: Unexpended Balances.** Recommendations provide UB authority within the biennium and delete language relating to the transition from the Available National Research University Fund.

Deleted Riders

2. **General Revenue Distribution to Eligible Institutions.** Rider is no longer needed, as ongoing funding for the Available Texas University Fund will be comprised of distributions from the TUF.

**Available Texas University Fund
Appendices - Senate**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	8
B	Summary of Federal Funds	*
C	FTE Highlights	*

* Appendix is not included - no significant information to report

**Available Texas University Fund
Funding Changes and Recommendations by Strategy - Senate -- ALL FUNDS**

Strategy/Goal	2024-25 Base	2026-27 Recommended	Biennial Change	% Change	Comments
FUND DISTRIBUTION A.1.1	\$137,000,000	\$274,000,000	\$137,000,000	100.0%	Recommendations include a \$137.0 million increase in estimated available appropriations from the Texas University Fund (TUF) for the 2026-27 biennium. The Texas Treasury Safekeeping Trust Company (TTSTC), in accordance with the distribution policy adopted by the Comptroller of Public Accounts, determines the amount of Available TUF appropriations for each fiscal year pursuant to Education Code, Section 62.143 requirements. The total amount appropriated from TUF for any state fiscal year may not exceed an amount equal to 7.0 percent of the average net market value of the investment assets of the fund. See Section 3 for more details.
Total, Goal A, FUND DISTRIBUTION	\$137,000,000	\$274,000,000	\$137,000,000	100.0%	
SUPPLEMENTAL DISTRIBUTION B.1.1	\$136,364,139	\$0	(\$136,364,139)	(100.0%)	Recommendations include a \$136.4 million decrease in General Revenue appropriations for the 2026-27 biennium. Ongoing funding for the ATUF will be comprised of distributions from the TUF, which are dependent on statute, TTSTC and Comptroller policy, performance of the permanent fund, and appropriations from the Economic Stabilization Fund.
Total, Goal B, SUPPLEMENTAL DISTRIBUTION	\$136,364,139	\$0	(\$136,364,139)	(100.0%)	
Grand Total, All Strategies	\$273,364,139	\$274,000,000	\$635,861	0.2%	