

GOVERNMENT RELATIONS UPDATE

July 2011

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STATE AND FEDERAL OVERVIEW

The Texas Legislature wrapped up the 82nd regular session on May 31 and was immediately called into a special session by Gov. Rick Perry, which ended June 30. Following is an update on how Rice fared during the tumultuous regular session, which was dominated by budget deficits and redistricting. Overall, Rice's priority programs escaped elimination and budget cuts were smaller than proposed at the beginning of the session.

With the Legislature adjourned, the focus turns primarily to Congress. The debate in Washington, D.C., is also dominated by budget deficits and partisan stalemates over spending cuts and higher taxes, and the looming presidential elections will add more delay to an already stalled agenda. A complete report will be provided in the next update.

Budget impact to Rice priorities

After the 2009 legislative session, Rice University was receiving close to \$10 million a year from the state of Texas, mostly in student aid and research grants. Several of those programs received budget cuts of varying degrees, and it remains to be seen how funding will be impacted in the 2012-2013 biennium.

With estimates of the budget deficit ranging from \$15 billion to \$27 billion, every discretionary program was on the chopping block during the 2011 session — and student aid programs like the Texas Tuition Equalization Grants and research programs like the Norman Hackerman Advanced Research Program were in danger of outright elimination. Rice worked collaboratively with other higher education institutions to prevent many of these programs from being completely eliminated and to sustain funding with an eye toward restoring these cuts during future sessions. Here is a breakdown of these programs and the final funding levels.

Texas Tuition Equalization Grant (TEG)

This is a need-based grant provided mostly to eligible Texas students to enable them to attend private, nonprofit colleges or universities in Texas. More than 600 current Rice students, or nearly a third of all Texas residents attending Rice, receive TEG funds. In 2010, Rice received more than \$2.6 million from the annual \$106 million TEG budget. At the beginning of the session both the House and Senate proposed reducing the program by 41 percent or \$43 million, with funding only allowed for existing TEG recipients and not new students. Rice joined with other Independent Colleges and Universities of Texas (ICUT) members to advocate for TEG and brought Rice students who are TEG recipients to the Legislature to make the case. To read more about their visit, click [here](#).

As a result of these efforts, TEG was only reduced by 21 percent, or \$22 million per year, and Rice is expected to receive \$1.9 million in 2012. In addition, private colleges and universities will be able to determine which students receive TEG funding, rather than being restricted to existing students. To read more about TEG, click [here](#).

Norman Hackerman Advanced Research Program (NHARP)

In 1987, the Texas Legislature created the NHARP, named after Rice's fourth president, as a peer-reviewed, competitive grant program to provide Texas faculty with individual basic research grants in specified areas. The program is designed to help attract and retain the best undergraduate and graduate students and researchers. During the 2009 legislative session, private and independent institutions became eligible to compete for these funds for the first time. In 2010, Rice received eight awards totaling \$1.2 million out of the \$16.1 million NHARP budget.

At the beginning of the session, things looked very bleak for this program, with funding completely eliminated in the House-passed budget. In addition, Rice was one of only a few institutions that made NHARP a priority, and was faced with trying to get a Legislature dealing with billions in cuts to focus on a \$16 million program. The goal was simply to ensure that the program was not completely eliminated, which would have made it much more difficult to restore funding in the future. A team of three — Nobel Laureate Robert Curl, NHARP-funded student Mark Sands and Government Relations Director Cory Kennedy — aggressively defended the program to legislators. That included a personal visit with Speaker Joe Straus, R-San Antonio, right after Curl shared recognition on the House floor with biking legend Lance Armstrong. Curl and Kennedy also met with numerous members of the House and Senate appropriations committees. Despite being nearly eliminated during final budget negotiations, those efforts were successful in securing \$1 million for this program. This improves chances for increasing funding as economic conditions improve. To see Dr. Curl's recognition on the floor, click [here](#) — he is recognized at 24:15 on the tape. To read previous legislative reports about NHARP, click [here](#).

TexShare

Rice is one of 700 members of TexShare, a consortium of Texas libraries that share print and electronic materials, purchase online resources and combine staff expertise. TexShare services are available to patrons of participating member libraries all across Texas, regardless of institution type, size or location. The consortium is administered by the Texas State Library and Archives Commission. Currently, TexShare provides access to 49 databases that house 42,571 journals and NetLibrary e-books. Rice currently pays \$37,450 in fees to have access to these databases, compared with the \$299,974 it would cost to subscribe to each one separately.

While both the House and Senate budgets initially eliminated this program, Rice worked with other higher education institutions to salvage the program. As a result of these efforts, \$2.5 million was restored during final budget negotiations. While fees will increase, TexShare members will still realize savings and have access to these databases. To read more, click [here](#).

Texas College Work-Study

The Texas College Work-Study Program was created in 1989 by the Legislature to provide needy students with part-time jobs, funded in part by the state and the employer. The initial House budget eliminated this program, but due to the efforts of student aid advocates across the state, funding was fully restored to \$15 million for the biennium. To read more about this program, click [here](#).

B-On-Time

The Texas B-On-Time Loan Program provides eligible Texas students with no-interest loans to attend state colleges and universities. If the student meets specified goals, the entire loan amount can be forgiven on graduation. Despite being eliminated early in the budget process, funding for the program was fully restored to \$26.2 million for the biennium. To read more about this program, click [here](#).

Concealed carry of handguns on campus

Despite strong indications that legislation allowing licensed people to carry concealed weapons on college campuses would pass this session, the issue died in a series of parliamentary maneuvers in the final weeks. Nonetheless, expect the issue to reappear when similar, if not identical, bills are filed when the 83rd Legislature convenes in January 2013. As [previous updates](#) have mentioned, the legislation that had the most support included an “opt-out” clause for private universities. However, during much of the debate this session, there was controversy over equitable treatment of public and private institutions. As a result, the “opt-out” language won by private institutions in both the 2009 and 2011 sessions may face opposition in 2013. Over the next 18 months, we will continue to work quietly with other colleges and universities to oppose concealed carry legislation and to ensure that, in the likely event those bills are introduced, private institutions have the ability to opt out.

Telecommunications discount

During the 74th session, the Texas Legislature passed legislation that was designed to open up competition for local telecommunications service in order to keep rates down and generate new services, such as high-speed Internet access. The Legislature took special care to ensure that telecommunications infrastructure that connects public entities such as schools, libraries, higher education institutions, nonprofit telemedicine centers and public hospitals was established at a reasonable rate. These discounts allow libraries, schools and hospitals to purchase high speed services from incumbent local exchange carriers at 105 percent to 110 percent of long run incremental costs (LRIC). Approximately 877 public entities currently take advantage of these discounts, which the Public Utility Commission of Texas (PUC) in 2005 valued at nearly \$100 million annually and growing. The discounts were due to expire in January 2012, which would have cost Rice more than \$500,000 in additional telecommunications costs a year. To put it in perspective, the failure to extend this discount would have cost the University of Texas System an estimated \$27.5 million more annually.

Working with a coalition, Rice was successful in passing [SB 773](#) that extends the telecommunication discount for public secondary schools, libraries, higher education institutions and hospitals for four years through 2016. The governor signed the bill on June 17.

More capital for student loans

The Texas Higher Education Coordinating Board’s (THECB) Hinson-Hazlewood Loan Program offers Texas students alternative loans that are used to make up the difference between what the student can get from other sources (grants, federal loans,

etc.) and the cost of attendance. The rate currently charged by the THECB for its College Access Loans (CAL), which is one of the loans in the program, is 6 percent, making it one of the most competitive student loans in the country. Rice students were eligible to receive \$1.5 million of these loans in 2010.

Legislation passed this session and signed by the governor raises the amount of Hinson-Hazlewood College Student Loans the THECB can issue each year from \$125 million to \$350 million. The loans are funded by general obligation bonds backed by the full faith and credit of the state of Texas.

This action will increase low-cost options available for Rice students, and also help support the state's Closing the Gaps goals by improving student access to higher education. In addition, it will grow in importance as other state and federal loan and grants programs are cut back. To read more about these programs, click [here](#).

Economic development programs

One of Rice's legislative priorities this session was to ensure that we have a seat at the table when competitive grants are being allocated or created. Rice has been successful in the past in ensuring that we are eligible as a private institution for grants from NHARP and the Cancer Prevention and Research Institute of Texas, but there are many other programs that are closed to private and independent institutions. The Emerging Technology Fund's (ETF) Research Superiority Awards are one such example: These funds currently go to only public universities to recruit new research faculty to Texas. Rice's goal is to win legislative support for allowing private universities to compete for these funds.

The state's dire budget situation forced the primary focus to be on protecting programs for which Rice is currently eligible but, despite the challenges, progress was made on this front. Lt. Gov. David Dewhurst wrote and Sen. Mike Jackson, R-LaPorte, introduced legislation which created new ETF innovation centers and made private and independent institutions eligible. While the legislation did not pass, it was important because it illustrates that the case for including private institutions in state competitive grant programs is gaining ground with state leaders. We will build on this progress during the 2013 legislative session when, if the economy improves, more funds will be available for competitive grant programs.

Another important economic impact bill authorized the Lyndon B. Johnson Space Center (JSC) to receive ETF funding. Rice could have an opportunity to collaborate with JSC in competing for these funds. While it is unclear how much impact this will have as JSC struggles to define its mission after the end of the shuttle program, this was a strong signal that Gov. Perry, the Texas Workforce Commission and other state agencies will play a role in helping JSC through these difficult times.

Program integrity rules

Gov. Perry recently signed a resolution that defines institutions that meet the federal definition of "private or independent institutions of higher education," which under the Education Code are authorized to provide postsecondary education and to grant degrees and certificates. This was in response to the recently announced U.S. Department of Education "program integrity" rules discussed in a previous [Government Relations Update](#). The resolution should meet one of the DOE requirements under these regulations applicable to federal student financial aid programs because it is a "state action" listing institutions "by name." To read more about the program integrity rules and the potential impact to Rice click [here](#). **See below** about action Congress is taking to overturn many of the more burdensome Department of Education rules.

Redistricting

In addition to the budget deficit, the other major issue dominating the session was the requirement to redraw district lines every 10 years. While the congressional redistricting map that worked its way through the special session was headed for court challenges, it appeared that the Houston-area is due for some major changes that will impact Rice. Although it is unclear

in which congressional district Rice will sit, it looks like Rep. John Culberson will no longer represent the main Rice campus. Look for updates as this process continues to unfold as the maps get challenged in the courts.

As for the state legislative map, Rep. Sarah Davis, R-Houston, and Sen. Rodney Ellis, D-Houston, will continue to represent Rice's main campus. However, Sen. John Whitmire, D-Houston, is our new senator to the north and Sen. Joan Huffman, R-Houston, is our senator to the south. In fact, Whitmire now represents the Weiss House and Huffman represents the neighborhood just south of Rice across University Boulevard. Rice welcomes our new representatives and will look for opportunities to bring both of them to campus. To review all the redistricting maps, click [here](#). For those who want a more in-depth look, click [here](#).

WASHINGTON UPDATE

Budget cuts and deficit reduction plan

Congress is completely consumed by talk of reining in government spending. The first salvo occurred when it appeared that the government was headed for an inevitable shutdown as House Republicans and the Obama administration wrestled over the size of cuts in the current FY11 budget. A shutdown was averted, but it was not without major cuts across the board. While most of the research programs important to Rice were spared, there were cuts across all programs. To read more, click [here](#).

The near government shutdown was followed by the House Republicans passing a FY12 budget with deep spending cuts, which triggered opposition from nearly every direction. While the budget failed in the Senate, it signaled Republican resolve to rein in government spending. To read more, click [here](#).

Jockeying over the federal debt ceiling continues in Washington, with multiple efforts to find areas of bipartisan agreement or score political points in the run-up to next year's elections. Vice President Joe Biden convened a bipartisan group of six House and Senate leaders to look for areas of commonality, however it was unclear at this writing whether lawmakers will come to a consensus before the early August deadline for raising the federal debt ceiling. The substantial cuts under discussion could potentially be detrimental to federal research programs like NSF, DOE-Office of Science and NIH. Rice is working aggressively with other Association of American Universities members to educate our respective delegations about the harm draconian cuts in federal research funding could have for local economies. We will continue to update you on the appropriations process.

Seven programs eliminated by the Department of Education

On June 14 the Department of Education withdrew notices inviting applications for the following FY11 grant programs:

- Undergraduate International Studies and Foreign Language (UISFL) Program
- International Research and Studies (IRS) Program
- Fulbright-Hays Faculty Research Abroad (FRA) Fellowship Program
- Fulbright-Hays Doctoral Dissertation Research Abroad (DDRA) Fellowship Program
- Business and International Education (BIE) Program
- American Overseas Research Centers (AORC) Program
- Fund of the Improvement of Postsecondary Education (FIPSE)—Comprehensive Program

The announcement said "the department published in the Federal Register notices inviting applications for new awards for each of the programs identified. Since that time, the department has determined that, as a result of final congressional action on FY11 appropriations, there are not sufficient funds available in 2011 to support new awards under these programs. As

such, the department withdraws these notices inviting applications for new awards for FY11.” Many of these programs have benefited Rice, and their elimination will have an impact. To read the entire release, click [here](#).

Program integrity rules

The House Education and the Workforce Committee [approved](#) legislation (H.R. 2117) to repeal two Department of Education program integrity regulations that would be problematic for colleges and universities. H.R. 2117 would repeal state authorization and credit hour provisions of the department’s program integrity rules, which were scheduled to go into effect on July 1. As you can read above, the state of Texas has already met the state authorization provision. However, the bill also would prohibit the secretary of education from promulgating or enforcing any regulation or rule that defines the term “credit hour” for any purpose under the Higher Education Act.

The two regulatory provisions have been strongly [opposed](#) by the higher education community as an unwarranted expansion of federal authority. In a [letter](#) to the bill’s author, Rep. Virginia Foxx, R-NC, who heads the House higher education subcommittee, a group of more than 70 higher education associations and accreditors, including AAU, noted the “almost total lack of evidence” of a problem in credit hours or authorization. The groups added, “We believe these regulations invite inappropriate federal interference in campus-based decisions and will limit student access to high-quality education opportunities.”

IN CASE YOU MISSED IT

Dr. Jim Tour testimony before Congress

Rep. Mo Brooks, chairman of the House Science Subcommittee on Research and Science Education, invited Dr. Jim Tour to be an expert witness in an April 14 hearing on Nanotechnology: Oversight of the National Nanotechnology Initiative and Priorities for the Future. Tour was joined by other experts in nanotechnology including Dr. Clayton Teague, director of the National Nanotechnology Coordination Office. Tour’s testimony was well received and was cited in numerous trade magazines. To see these articles, click [here](#), [here](#) and [here](#). To watch a video of the hearing or read Tour’s written and oral testimony, click [here](#).

Federal government website eases search for regulations

The federal government has created a website, www.regulations.gov, which enables visitors to find regulations from nearly 300 federal agencies and to easily search for and submit comments on proposed rules. The site features a “What’s Hot” section with some of the most viewed regulations, as well as pages on “Newly Posted Regulations” and “Regulations with Comment Periods Closing Soon.”

Supreme Court rules against Stanford University in technology transfer case

The Supreme Court on June 6 issued its [opinion](#) in the Stanford v. Roche technology transfer case in which it decided against Stanford on a 7 to 2 vote. The opinion was written by Chief Justice John Roberts; Justice Stephen Breyer wrote a dissenting opinion, joined by Justice Ruth Ginsberg. This was an important case about the interpretation of the Bayh-Dole Act. AAU, in collaboration with allied higher education associations and more than 70 research universities, had submitted an [amicus brief](#) in support of Stanford’s position. The U.S. Solicitor General also [supported](#) the university position, but in the end, the court sided with Roche.

New report finds funding of U.S. university research lags behind other countries

The Information Technology and Innovation Foundation (ITIF) issued a [report](#) on May 19 entitled “University Research Funding: The United States is Behind and Falling.” The report emphasizes the importance of university-based research to innovation and examines recent funding trends for university research in the U.S. compared with other countries.

AAU publishes societal benefits documents on the iPod and second editions of Scientific Enquirer

AAU has published two more reports in its series on the impact of scientific research. The new pieces are: “Semiconductors: How Basic Research Powers Our World,” and “Federally Funded Basic Research: The Foundation upon which the iPod is built.”

In addition, AAU has also published the [second edition](#) of its tabloid-style handout, “Scientific Enquirer.” The series highlights examples of “funny-sounding” scientific research that have led to important advances in many areas, including health, national security and agriculture.

These and other materials on the benefits of research are available on AAU’s webpage, “[Societal Benefits of Research Illustrated.](#)”