

## **BILL ANALYSIS**

H.B. 1887  
By: Morrison  
Higher Education  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Current Texas law permits 50% of a university's indirect cost reimbursements to be deducted from the institution's state general revenue appropriations. By losing half the value of these "overhead" payments on research grants, Texas universities are placed at a disadvantage when competing with institutions in other states. If institutions could retain 100% of the indirect costs, as is the case in most of the large states with which Texas competes for grants, the money could be reinvested in the research enterprise to help attract even more external funding.

The principle costs of most university research projects are for salaries and benefits for research assistants, graduate students, and other investigators. Other costs often include items such as laboratory supplies, computer time, and travel directly associated with a research project. These are the "direct" costs associated with research.

In addition to those "direct" costs of individual research projects, there are also "indirect" costs. These include the costs of accounting and auditing for a grant, providing clerical and administrative support, providing laboratory and office space, centralized computing facilities and other capital equipment, utilities, and other campus infrastructure. (Indirect costs are also referred to as "overhead".) Indirect costs are generally associated with centralized functions that serve multiple research projects, if not, indeed, all of an institution's research enterprise.

Many research grants, particularly from federal agencies, recognize the need to pay for both the direct and the indirect costs of research. In addition to the grant itself, which is designed to pay for the direct costs, grantors provide funds known as "indirect cost reimbursements." These payments are intended for just that: reimbursement to an institution for the costs of providing the underlying support facilities and services that make research possible.

HB 1887 would initiate a process of phasing-out the current disincentive and impediment to the ability of research institutions to increase their research output. The more of these research awards that can be reinvested in the research activities and infrastructure of the institutions, the greater the capacity of the institutions to grow their research programs.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

HB 1887 amends Section 145.001(c), Education Code, to provide that the designated funds for paying overhead expenses associated with conducting research by a defined institution may not be accounted for in an appropriations act in such a way as to reduce the general revenue funds to be appropriated to a general academic teaching institution or medical or dental unit.

### **EFFECTIVE DATE**

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2003.