

## BILL ANALYSIS

Senate Research Center  
78R8344 JSA-F

S.B. 1630  
By: Ratliff/Barrientos  
Education  
4/3/2003  
As Filed

### DIGEST AND PURPOSE

Current Texas law allows 50 percent 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, institutions are being taxed by the state for their ability to attract external grants. If institutions could retain 100 percent of the indirect cost, the money could be reinvested in the research enterprise to help attract even more external funds. As proposed, S.B. 1630 provides that no more than 40 percent, rather than 50 percent, of funds received for paying overhead costs may be used to reduce general revenue appropriations to general academic and teaching institutions and medical and dental schools.

### RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 145.001(c), Education Code, to provide that if the legislature in the General Appropriations Act, adopts a funding provision for the application of certain locally generated funds to be appropriated to a general academic teaching institution or medical or dental unit in such a way as to reduce the general revenue appropriated to it, then:

- (1) not more than 40 percent, rather than 50 percent, of funds may be applied to pay for overhead cost;
- (2) for the state fiscal year beginning September 1, 2005, and for each subsequent state fiscal year, the amount of funds that may be applied under this subsection to reduce general revenue appropriations to a general academic teaching institution or a medical or dental unit may not include any funds received after August 31, 2005, for paying overhead costs in connection with a research grant awarded or renewed after that date or a research contract entered into or renewed after that date; and
- (3) Requires that not less than 40, rather than more of 50, percent, of the funds that are retained but not applied to reduce general revenue appropriations to be expended under guidelines approved by the institution's governing board for projects encouraging further research at the unit, agency, or department level at which the research was conducted, to meet certain requirements.
- (4) Redesignates Subdivision (3) as (4). Makes a conforming change.

SECTION 2. Effective date: September 1, 2003. Makes application of this Act prospective.