

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 5, 2003

TO: Honorable Geanie Morrison, Chair, House Committee on Higher Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1887 by Morrison (Relating to funds received by institutions of higher education to cover overhead expenses of conducting research.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1887, As Introduced: a negative impact of (\$86,431,916) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$43,215,958)
2005	(\$43,215,958)
2006	(\$43,215,958)
2007	(\$43,215,958)
2008	(\$43,215,958)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2004	(\$43,215,958)
2005	(\$43,215,958)
2006	(\$43,215,958)
2007	(\$43,215,958)
2008	(\$43,215,958)

Fiscal Analysis

The bill would eliminate the use of indirect cost recovery generated by general academic institutions that is applied to the funding formulas in a way to reduce the General Revenue appropriations. Currently, 50% of the estimated indirect cost recovery that a general academic institution is projected to generate is applied as a method of finance for formula funding.

Methodology

The current estimate of indirect cost recovery that would be generated at general academic institutions for the 2004-05 biennium is \$86,453,916 per year. The result of moving from 50% to 0% would result in \$43,215,958 in indirect cost recovery each year being removed from the

general academic funding formula. This fiscal note assumes the Legislature would increase General Revenue in the funding formula by a like amount.

This fiscal note assumes a constant level of indirect cost recovery would be generated in the out years.

To the extent that the legislature does not increase General Revenue to offset the reduction of indirect cost recovery in the funding formula, the formula rate would be reduced and the funding re-allocated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board

LBB Staff: JK, JO, CT, PF