

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 2, 2003

TO: Honorable Royce West, Chair, Senate Committee on Subcommittee on Higher Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1630 by Ratliff (Relating to overhead expenses of conducting research at institutions of higher education and the indirect cost reimbursement related to that research.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1630, As Introduced: a negative impact of (\$17,286,384) 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	(\$8,643,192)
2005	(\$8,643,192)
2006	(\$43,215,958)
2007	(\$43,215,958)
2008	(\$43,215,958)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2004	(\$8,643,192)
2005	(\$8,643,192)
2006	(\$43,215,958)
2007	(\$43,215,958)
2008	(\$43,215,958)

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

Fiscal Analysis

The bill would reduce the amount of indirect cost recovery generated by general academic institutions that is applied to the funding formulas for these institutions. 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.

This bill would result in no more than 40 percent of those funds being used in the formula as a way to reduce General Revenue appropriations necessary for the formula. Beginning in fiscal year 2006,

none of the indirect cost recovery could be applied to the general academics' formula funding in a way to reduce the General Revenue appropriations.

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. For purposes of this fiscal note it is assumed that the Legislature would reduce from 50% to 40% the amount of the estimated indirect cost recovery for general academic institutions in 2004 and 2005 that is used for formula funding. The result of moving from 50% to 40% would result in \$8,645,392 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 future biennium.

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 reallocated.

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, GS