

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 29, 2007

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

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB1782** by Howard, Donna (Relating to the applicability of across-the-board salary increases to employees of institutions of higher education.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1782, As Introduced: an impact of \$0 through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from LOCAL/NOT APPROPRIATED FUNDS 8888
2008	(\$18,500,000)
2009	(\$18,500,000)
2010	(\$18,500,000)
2011	(\$18,500,000)
2012	(\$18,500,000)

Fiscal Analysis

The bill would repeal Section 51.0065 of the Education Code, which allows institutions of higher education which have a pay-for-performance plan to use any appropriated funds from an across-the-board pay increase instead to fund increases in their pay-for-performance plan.

Many institutions do not have explicit pay-for-performance plans. Those that do would generally have less flexibility under the bill. The greatest impact would be on those institutions that have a small percentage of General Revenue funding. An across-the-board payraise that was funded by the state would provide them only a small percentage of the funding necessary for across the board salary increases, and they would have to make up the balance from local sources.

Methodology

The University of Texas System reported that two schools would be significantly impacted by the

bill; the University of Texas Medical Branch at Galveston, and the University of Texas MD Anderson Cancer Center. Approximately seven percent of their funds are from General Revenue. The costs shown assume the state grants a four percent pay increase in FY 2008, and the institutions are required to pay for 93 percent of the costs from Education and General (E&G) Funds from local revenue sources. The costs also assume that half of the funds would be used for increases the institution would likely have made even in the absence of a state-wide increase. Hence the tables reflect a four percent increase for fiscal year 2008 applied to their E&G payroll times 93 percent times one half.

The amounts would be greater if an across-the-board increase for employees paid from E&G Funds would necessitate the same for employees paid from Designated Funds; they would be lower if a state-wide increase would not require the institutions to apply an increase to all their E&G employees. There would be additional costs for future payraises, however there also would be an interaction between any given state-wide increase and long-term trends of the schools' payrolls that would tend to negate some of the additional costs over time.

The costs are not deemed significant for any other institution of higher education.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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