

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 5, 2009

TO: Honorable Judith Zaffirini, Chair, Senate Committee on Higher Education

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

IN RE: HB51 by Branch (Relating to funding and incentives to support emerging public research universities in developing and maintaining programs of the highest tier.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB51, As Engrossed: a negative impact of (\$189,912,434) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$94,973,616)
2011	(\$94,938,818)
2012	(\$94,938,818)
2013	(\$94,938,818)
2014	(\$94,938,818)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2010	(\$94,973,616)
2011	(\$94,938,818)
2012	(\$94,938,818)
2013	(\$94,938,818)
2014	(\$94,938,818)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	3.0
2011	3.0
2012	3.0
2013	3.0
2014	3.0

Fiscal Analysis

The bill would create three initiatives to support emerging research universities. Currently the seven institutions considered "emerging research universities" are University of Houston, Texas Tech University, University of North Texas, University of Texas at Arlington, University of Texas at Dallas, University of Texas at El Paso, and the University of Texas at San Antonio.

The bill would create the Research University Development Fund. The purpose of the fund is to provide funding to eligible institutions for the enhancement of research productivity to enable those institutions to achieve national prominence as major research universities. Under provisions of the bill, the Higher Education Coordinating Board will distribute any funds appropriated by the legislature among eligible institutions in proportion to the total amount of restricted research funds expended by each institution in the two most recent state fiscal years. Under provisions of the bill, the legislature may not appropriate money for this initiative unless an equal amount of money is appropriated for the Texas Research Incentive Program.

The second initiative establishes the Texas Research Incentive Program whereby gifts received by the emerging research universities would be matched with state appropriations if certain conditions are met. The state would match a certain percentage of the total amount of the gift received. Under provisions of the bill, the legislature may not appropriate money for this initiative unless an equal amount of money is appropriated for the Research University Development Fund.

The third initiative creates the National Research University Fund. Contingent upon voter approval of a Texas Constitutional amendment proposed by the 81st Texas Legislature, the bill would create a new source of funding to enhance research capacity at certain emerging research universities using the investment earnings of an existing but rededicated fund corpus (i.e., the Permanent Higher Education Fund, which would become the corpus for the National Research University Fund). Annual National Research University Fund allocations to eligible institutions would be based solely on the earnings of the National Research University Fund corpus over time.

Methodology

The fiscal impact for the bill would be broken down by the three initiatives, beginning with the Texas Research Incentive Program, and administrative costs for the Higher Education Coordinating Board.

Texas Research Incentive Program

Based on information provided by the Higher Education Coordinating Board, the fiscal year 2008 total of private gifts reported by emerging research universities that would qualify for a match under the legislation would be approximately \$47.3 million per year. For purposes of this fiscal note it is assumed the state would match this amount in fiscal years 2010-2014.

Research University Development Fund

It is assumed for purposes of this fiscal note that the amount appropriated for the Texas Research Incentive Program, estimated at \$47.3 million for each fiscal year, will also be appropriated to the Research University Development Program. Currently, the emerging institutions, along with other institutions, are appropriated funding through a similarly named fund, the Research Development Fund. Allocation of this funding is based on restricted research expenditures in the three most recent fiscal years. Since the statutory provisions dealing with the Research Development Fund were not amended by the proposed legislation it is assumed for purposes this fiscal note that these are two separate funds.

National Research University Fund

Since the funding for the National Research University Fund would be tied the investment earnings of an existing fund, there would not be a fiscal impact to the State.

Administrative Costs

Administrative costs for the Higher Education Coordinating Board for salary and benefits for three new program directors is estimated at \$267,608 per year in fiscal year 2010, and \$232,810 in fiscal year 2011 and subsequent years. Staff travel cost is estimated at \$10,000 annually to allow staff and two consultants to monitor the implementation/use of funds distributed through the new programs. Four site visits per year would be conducted at a \$2,500 cost for each. Other operating expenses at

\$5,000 annually would be used to upgrade computer technology software, perhaps with GIS software, to allow greater monitoring and evaluation, and real time updates on new building process/renovation.

Local Government Impact

No significant 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, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 768 Texas Tech University System Administration

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