

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 8, 2009

TO: Honorable Dan Branch, Chair, House 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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB51, Committee Report 1st House, Substituted: a negative impact of (\$495,241,426) 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	(\$247,643,112)
2011	(\$247,598,314)
2012	(\$247,598,314)
2013	(\$247,598,314)
2014	(\$247,598,314)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2010	(\$247,643,112)
2011	(\$247,598,314)
2012	(\$247,598,314)
2013	(\$247,598,314)
2014	(\$247,598,314)

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. 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. The third initiative establishes a National Research University Benchmark Fund. The purpose of the fund is to provide funding to incentivize the enhancement of emerging research universities by rewarding those universities that meet critical benchmarks toward achieving national prominence as major research universities.

Methodology

The fiscal impact for the bill would be broken down by the three initiatives and administrative costs for the Higher Education Coordinating Board.

Research University Development Fund

In order to provide a possible impact on the institutions, the Higher Education Coordinating Board has estimated \$100 million for each fiscal year would be allocated to the fund. 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 of this fiscal note that these are two separate funds.

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.

National Research University Benchmark Fund

The Higher Education Coordinating Board developed a methodology assigning points based upon the criteria mentioned in the bill. Based on this criteria three institutions would receive funding totaling \$100 million per year.

Administrative Costs

Administrative costs for the Higher Education Coordinating 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 grant program. Four site visits per year would be conducted at \$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

LBB Staff: JOB, KK, RT, GO, SSh