

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 5, 2009

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

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

IN RE: SB9 by Zaffirini (Relating to financial support and incentives for the development of national research universities and high-quality comprehensive regional universities and a review of the institutional groupings under the Texas Higher Education Coordinating Board's accountability system.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB9, As Engrossed: a negative impact of (\$483,129,409) 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	(\$241,591,166)
2011	(\$241,538,243)
2012	(\$241,499,438)
2013	(\$241,499,443)
2014	(\$241,499,438)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2010	(\$241,591,166)
2011	(\$241,538,243)
2012	(\$241,499,438)
2013	(\$241,499,443)
2014	(\$241,499,438)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	2.0
2011	2.0
2012	1.5
2013	1.5
2014	1.5

Fiscal Analysis

The bill would establish three incentive programs; the Texas Competitive Knowledge Funding, Texas Centers of Excellence Performance Funding, and Texas Research Incentive Program. The bill would

also require the governing boards of each institution of higher education designated as a research university or emerging research university to submit to the Higher Education Coordinating Board a long-term strategic plan documenting the strategy by which the institution intends to achieve recognition as research university or enhance the university's reputation as a research university.

Research universities and emerging research universities, as defined under the Higher Education Coordinating Board's accountability system, would be eligible for Texas Competitive Knowledge Funding if certain criteria are met. The funding would be allocated three ways with 80 percent of the funding to be distributed among eligible institutions based on the average amount of total research funds expended by each institution annually during the three most recent state fiscal years, according to the following rates: (A) \$1 million for every \$10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is \$50 million or more; and (B) \$500,000 for every \$10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is less than \$50 million.

The remaining 20 percent would be split with 10 percent to be distributed among eligible institutions in proportion to the average number of degrees awarded by each institution annually during the two most recent state fiscal years, using the weights described in the legislation and 10 percent would be distributed among eligible institutions in proportion to the percentage increase, if any, in the average number of degrees awarded by each institution annually in the two most recent fiscal years from the average number of degrees awarded by that institution annually in the two fiscal years immediately preceding those fiscal years, using weights assigned in the legislation.

Comprehensive universities, doctoral universities and master universities, as defined under the Higher Education Coordinating Board's accountability system, would be eligible for Texas Centers of Excellence Performance Funding if certain criteria are met.

Emerging research universities, as defined under the Higher Education Coordinating Board's accountability system, would be eligible for funding through the Texas Research Incentive Program.

Currently, the University of Texas at Austin and Texas A&M University are defined as research universities under the Higher Education Coordinating Board's accountability system. 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 remaining general academic institutions fall under the comprehensive, doctoral, or master university categories.

Methodology

For purposes of this fiscal note each initiative will be considered separately.

Texas Competitive Knowledge Funding

The Higher Education Coordinating Board has estimated that approximately \$140.8 million per year would be distributed to the research and emerging research institutions under provisions of the bill. Approximately \$112.7 million would be generated under the average annual research and research related expenses for fiscal year 2005-2007 with the remaining \$28.1 million generated through the provisions dealing with degrees awarded. The 80th Legislature appropriated \$46,603,810 in fiscal year 2008 and \$46,603,805 in fiscal year 2009 for the Texas Competitive Knowledge Fund to the University of Texas at Austin, Texas A&M University, University of Houston, and Texas Tech University. For purposes of this fiscal note, these amounts have been taken into consideration and the costs associated with this section of the legislation have been reduced accordingly.

Texas Centers for Excellence Performance Funding

Funding for the "Texas Centers for Excellence Performance Funding" would be performance funding for universities in the comprehensive, doctoral or master university categories. In order to provide a possible impact on the institutions, an appropriation of \$100 million for each fiscal year was used to prepare the estimated allocation.

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.

Administrative Costs

The agency has indicated that they will need to add two additional FTEs in fiscal year 2010 and fiscal year 2011, and 1.5 FTEs in fiscal year 2012-2014. The new personnel would be necessary to collect, analyze, and verify the data and to monitor and evaluate the benefits of the three funding programs. The estimated salary and benefits cost of the new personnel for fiscal year 2010 will be \$82,488 and \$71,024 for fiscal year 2011. Additional costs for fiscal year 2012-14 will be \$51,624 per year. The Coordinating Board will also need \$10,000 in fiscal year 2010 for making database and programming changes required for the new data collection required by the programs.

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

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