

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 24, 2009**

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

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

**IN RE: SB1564** by Shapleigh (Relating to Tier One Challenge funding to support the development and enhancement of national research universities in this state.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1564, As Introduced: a negative impact of (\$515,501,441) 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	(\$220,929,189)
2011	(\$294,572,252)
2012	(\$368,215,315)
2013	(\$441,858,378)
2014	(\$515,501,441)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2010	(\$220,929,189)
2011	(\$294,572,252)
2012	(\$368,215,315)
2013	(\$441,858,378)
2014	(\$515,501,441)

**Fiscal Analysis**

Under provisions of the bill, research universities and emerging research universities, as defined by the Higher Education Coordinating Board's accountability system, would be eligible to receive development and enhancement funding based on an equitable formula. The University of Texas at Austin, Texas A&M University and Prairie View A&M University would not be eligible to receive funding. The initiative could be funded by any legislative appropriation made for that purpose and any gifts and grants from public and private sources received by the Higher Education Coordinating Board.

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 consider "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.

## **Methodology**

For purposes of this fiscal note it is assumed that three emerging research universities would receive funding in fiscal year 2010, with an additional emerging research university receiving funding in each subsequent year.

The Higher Education Coordinating Board compared the average fiscal year 2006-07 state appropriations per full time student equivalent (FTSE) for the seven emerging research universities in Texas to their peer national research institutions in other states (Universities of Buffalo, Arizona, Kansas, Maryland, Missouri, Nebraska, and Wisconsin). The Higher Education Coordinating Board estimated that the average fiscal year 2006-07 state appropriations for the seven Texas universities was \$5,160 while the average for the peer institutions was \$11,867 for a difference of \$6,707. Using the FTSE enrollment of the seven Texas institutions (153,720) multiplied by the difference, the Higher Education Coordinating Board calculated it would take approximately \$147.3 million per institution per year to raise each institution to Tier 1 status. They also assumed that half of this funding would be through State appropriations and the other half would be raised by each institution.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 720 The University of Texas System Administration, 758 Texas State University System, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

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