

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 14, 2009

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

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

IN RE: SB2348 by Ogden (Relating to the composition and appointment of the board of directors of a corporation to which the board of regents of The University of Texas System delegates investment authority for the permanent university fund or other funds under the control of the board of regents, and to the administration of that corporation.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would reduce the number of directors on the board of the University of Texas Management Investment Company (UTIMCO) from nine to seven. The board members would be appointed by the following three appointing entities: The University of Texas System Regents (three members); the Texas A&M University System Regents (1 member); and the Governor (three members, with the consent of the Senate). Any board member may be removed by the member's appointing entity.

The bill would require the board of UTIMCO to obtain the written approval of the Legislative Budget Board, the Governor, and the Attorney General before providing performance pay, bonuses, rewards, or other incentive payments to any UTIMCO director, officer, or employee.

The University of Texas System reports there would be substantial opportunity costs realized as a result of the bill's provision requiring authorization of performance incentive payments by the Governor, Legislative Budget Board, and Attorney General.

Specifically, The University of Texas System reports UTIMCO would lose existing staff, and be unable to recruit highly qualified new staff, if existing and prospective investment staff were not assured that UTIMCO would pay out performance incentive bonuses.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 720 The University of Texas System Administration

LBB Staff: JOB, KK, RT, JAW