

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION  
Revision 1

March 22, 2011

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

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

**IN RE: HB1000** by Branch (Relating to the distribution of money appropriated from the national research university fund and to one or more audits of the information necessary to establish eligibility for that distribution.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1000, As Introduced: a negative impact of (\$365,592) through the biennium ending August 31, 2013.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	(\$243,728)
2013	(\$121,864)
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2011
2012	(\$243,728)	1.5
2013	(\$121,864)	0.8
2014	\$0	
2015	\$0	
2016	\$0	

Fiscal Analysis

The bill would amend Chapter 62 of the Education Code by specifying a new upper limit on annual distributions from the National Research University Fund (Fund 0214) and defining a new allocation formula methodology for those distributions.

Currently, the Texas Constitution authorizes the Legislature to appropriate up to 7 percent of the average net market value of the investment assets of the fund, provided the 10-year purchasing power of the fund corpus is preserved. The bill would stipulate that the total amount appropriated from the fund for any state fiscal year could not exceed an amount equal to 4.5 percent of the average net market value of the investment assets of the fund for the 12 consecutive state fiscal quarters ending with the last quarter of the preceding state fiscal year, as determined by the Comptroller's Office.

Appropriations from Fund 0214 to eligible institutions, under current law, are based on a formula

adopted by the Legislature. The bill would stipulate a new distribution formula based on how many institutions had established eligibility for distributions from Fund 0214.

The bill would stipulate that information submitted to the Higher Education Coordinating Board by institutions of higher education for purposes of establishing eligibility for appropriations from Fund 0214 would be subject to a mandatory audit by the State Auditor's Office.

**Methodology**

The State Auditor's Office (SAO) assumes three audits of eligibility criteria submitted by institutions would be mandated by Subsection (c) of the bill. In Fiscal Year 2012 the SAO would audit the eligibility criteria submitted by Texas Tech University and the University of Houston. In Fiscal Year 2013 the SAO would audit a third potentially eligible institution's submitted data.

The bill requires the SAO conduct additional audits for each new institution petitioning to be eligible to receive National Research University Fund (NRUF) proceeds. The SAO estimates the cost of auditing the eligibility data submitted by institutions seeking to participate in NRUF allocations to be \$121,864.

The bill also authorizes the Higher Educaiton Coordinating Board to request subsequent audits by the SAO after an eligible institution begins receiving NRUF allocations. The SAO estimates the cost of a subsequent audit to be \$121,864 for such subsequent audits.

The SAO audit cost assumes a billing rate of \$92 per hour, plus travel expenses.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board, 308 State Auditor's Office

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