

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 22, 2015

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB26** by Button (relating to state economic development measures, including abolishment of the Texas emerging technology fund, creation of the governor 's university research initiative, and the administration of programs to support certain events.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB26, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Emerging Technology 5124</i>	Probable Revenue Gain/(Loss) from <i>Texas Enterprise Fund 5107</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Governor's University Research Initiative Fund</i>	Probable Revenue Gain/(Loss) from <i>New Texas Treasury Safekeeping Trust Company</i>
2016	(\$102,000,000)	\$45,900,000	\$45,900,000	\$10,200,000
2017	\$0	\$0	\$0	\$0
2018	\$0	\$0	\$0	\$0
2019	\$0	\$0	\$0	\$0
2020	\$0	\$0	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2015
2016	(5.0)
2017	(5.0)
2018	(5.0)
2019	(5.0)
2020	(5.0)

Fiscal Analysis

The bill would amend Education Code to establish the Governor's University Research Initiative Fund administered by the Texas Economic Development and Tourism Office within the Office of the Governor to award matching grants to eligible institutions to recruit distinguished researchers. The bill would require a biennial report on grants made from the Governor's University Research Initiative Fund.

The bill directs the TTSTC to manage and wind up the ETF investment portfolio in a manner that provides for the maximum return on the state's investment. The bill would require the TTSTC to notify the Comptroller of Public Accounts (CPA) when the final liquidation of the ETF investment portfolio has been completed for the CPA to verify and certify to the Governor. The bill would abolish the Emerging Technology Fund (ETF) upon certification by the CPA of final liquidation.

All money received in the future would be deposited to Governor's University Research Initiative Fund, less the amount permitted to be retained by TTSTC for costs for managing the portfolio. The bill would abolish Regional Centers of Innovation and Commercialization. The bill would direct the disclosure of certain public information collected under the ETF program.

The bill would amend Vernon's Texas Civil Statutes and Local Government Code relating to the Pan American Games trust fund, Olympic Games trust fund, Major Events trust fund, Motor Sports Racing trust fund, Events trust fund for sporting and non-sporting events, and Special Event trust fund. The bill would repeal and eliminate the Special Events trust fund. The bill would rename certain trust funds as reimbursement funds and transfer the administration from the Comptroller of Public Accounts to the Office of the Governor.

The bill would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in the bill would be subject to funds consolidation review by the current Legislature. The bill would take effect September 1, 2015.

Methodology

Using the Office of the Governor's most recent estimate, \$102.0 million in unexpended balances in General Revenue - Dedicated Emerging Technology Fund Account No. 5124 would be available for appropriation upon enactment of the bill. Of that amount, 10 percent (\$10.2 million) allocated to the TTSTC for the costs associated with managing and winding up the ETF portfolio. The remainder is allocated in equal amounts to the Texas Enterprise Fund (\$45.9 million in General Revenue - Dedicated Texas Enterprise Fund Account No. 5107) and to the Governor's University Research Initiative Fund (\$45.9 million in a new General Revenue - Dedicated account).

The Office of the Governor reports that the administrative provisions of the bill would require 2.0

FTEs, the cost of which can be absorbed within existing resources. The ETF currently is administered by 7.0 FTEs, for a net reduction of 5.0 FTEs.

The total ongoing portfolio management costs cannot be determined, as the portfolio wind up timeline is unknown at this time. The Office of the Governor estimates there would be a cost for the management of the ETF portfolio of approximately 2 percent of funds under management. Currently, the Office of the Governor estimates the portfolio's size to be \$455 million, and prior to the wind up of the ETF investment portfolio; the management cost is estimated to be approximately \$9.1 million per fiscal year. As the size of the portfolio decreases, the associated management costs would also decrease.

The sale of the ETF portfolio is expected to result in revenue deposited into General Revenue - Dedicated Governor's University Research Initiative Fund. The sale proceeds and other earnings from investments in the state's portfolio, and the required portfolio management fees are unidentified due to the unpredictability of the stock market and the unknown liquidity status of the investments.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 313 Department of Information Resources

LBB Staff: UP, SZ, EP, LBe