

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 16, 2015**

**TO:** Honorable Angie Chen Button, Chair, House Committee on Economic & Small Business Development

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3525** by Rodriguez, Eddie (Relating to creating the Texas Quality Research Leadership Authority to help Texas small businesses rapidly scale in potentially leading edge technologies and abolishing the Texas emerging technology fund.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3525, As Introduced: a negative impact of (\$21,317,210) through the biennium ending August 31, 2017 increasing to a negative impact of (\$114,355,210) through the biennium ending August 31, 2019.

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	(\$11,097,105)
2017	(\$10,220,105)
2018	(\$104,135,105)
2019	(\$10,220,105)
2020	(\$109,879,118)

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

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Savings/(Cost) from Emerging Technology 5124	Probable Savings/(Cost) from New General Revenue Dedicated - Texas Quality Research Leadership Authority Fund
2016	(\$110,851,205)	\$99,754,100	(\$90,618,000)	(\$101,751,205)
2017	(\$10,826,205)	\$606,100	\$0	(\$1,726,205)
2018	(\$110,841,205)	\$6,706,100	\$0	(\$101,741,205)
2019	(\$10,826,205)	\$606,100	\$0	(\$1,726,205)
2020	(\$110,841,205)	\$962,087	\$0	(\$101,741,205)

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from New General Revenue Dedicated - Texas Quality Research Leadership Authority Fund</b>	<b>Change in Number of State Employees from FY 2015</b>
2016	\$101,751,205	5.0
2017	\$1,726,205	5.0
2018	\$101,741,205	5.0
2019	\$1,726,205	5.0
2020	\$101,741,205	5.0

## **Fiscal Analysis**

The bill would amend Government Code to establish the Texas Quality Research Leadership Authority to assist the development of certain industries. The bill would create an Oversight Committee to manage the Texas Quality Research Leadership Authority, which would be composed of nine members, three each appointed by the Governor, Lieutenant Governor, and the Speaker of the House of Representatives. The bill would require the Oversight Committee to hire certain employees and adopt an ethics policy. The bill would sunset the Texas Quality Research Leadership Authority on September 1, 2023. The bill would provide authority to the Oversight Committee to make awards from the Texas Quality Research Leadership Authority Fund with majority approval. The bill would create certain guidelines for awards and contracts made from the Texas Quality Research Leadership Authority Fund. The bill would authorize certain administrative expenses from the Texas Quality Research Leadership Authority Fund. The bill would require an annual report from the Oversight Committee.

The bill would abolish the Emerging Technology Fund (ETF) and transfer balances and future revenues to General Revenue on September 1, 2015. Although the ETF would be abolished effective September 1, 2015, agreements in place before that date would not be affected. All money in the fund on that date and received in the future would be deposited to General Revenue, except for money obligated for existing agreements and money deposited in the fund as a gift, grant or donation under specific terms of use. The bill would abolish Regional Centers of Innovation and Commercialization.

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.

Under the bill provisions, the Office of the Governor indicated the cost to implement the bill would be \$21,317,210 in the 2016-17 biennium in General Revenue. Costs include salaries for 12.0 FTEs, awards made by the Texas Quality Research Leadership Authority Fund, portfolio management costs of the former Emerging Technology Fund, general operating, travel, equipment, and benefits.

## **Methodology**

The bill creates the Texas Quality Research Leadership Authority Fund as a new General Revenue-Dedicated account. The Fund may receive state appropriations, gifts grants, donations, benefits received as a result of funded projects, and earned interest. In order to show

the cost of the new program, it is assumed that General Revenue will be used to fund the program. Grants and administrative costs estimated to implement the provisions of the bill total \$101,751,205 in fiscal year 2016 and \$1,726,205 in fiscal year 2017.

Based on the administrative needs of similar programs, the LBB estimates the program would need 12.0 full-time equivalents (FTE) to fulfill the provisions of the bill. This would include the two positions required by the bill: one Chief Executive Officer (1.0 FTE x \$150,000) and one Chief Compliance Officer (1.0 FTE x \$141,000). It also includes: one Director V (1.0 FTE x \$150,000), one Portfolio Manager III (1.0 x \$145,000), one Investment Analyst III (1.0 x 85,000), two Financial Analyst II (2.0 x \$65,000), three Grant Coordinator II (3.0 x \$55,000), one General Council (1.0 x \$145,000), and one Attorney IV (1.0 x 85,000). The total cost of salaries including benefits and agency contributions would be \$1.6 million per fiscal year. It is estimated an additional \$125,000 per year would be required for operating expenses, travel, and professional services. Initial equipment costs would be \$25,000 in 2016, and \$15,000 in each subsequent biennium.

The Office of the Governor estimates that \$100.0 million in awards would be distributed each biennium based on the history of awards by the Emerging Technology Fund. It is assumed that any returns on investment would not be realized within the first five years of the program.

Using the Comptroller of Public Account's (CPA) Biennial Revenue Estimate, \$90.6 million in unexpended balances would be transferred from the General Revenue - Dedicated Emerging Technology Fund Account No. 5124 to General Revenue. The LBB assumes the full-time equivalents (FTEs) of the Office of the Governor would decrease by the 7.0 FTEs of the ETF each fiscal year.

The Office of the Governor indicates there would be on-going revenues from investments in entities that received Emerging Technology Funds of \$9,136,100 in 2016, \$606,100 in 2017 \$6,706,100 in 2018, \$606,100 in 2019 and \$962,087 in 2020 that under the provisions of the bill would be deposited to General Revenue.

The Office of the Governor estimates there would be a cost for the management of the ETF portfolio by an outside firm with the appropriate expertise. The portfolio's size is estimated to be \$455 million and the cost is estimated to be 2% of funds under management, or approximately \$9.1 million per fiscal year.

### **Technology**

The Office of the Governor estimates the technology impact of the bill would be \$15,000 in each biennium.

### **Local Government Impact**

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

**Source Agencies:** 116 Sunset Advisory Commission, 301 Office of the Governor, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 356 Texas Ethics Commission

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