

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 9, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3853 by Villalba (Relating to creation of the university research initiative fund, the abolishment of the Texas emerging technology fund, and the disposition of balances from the Texas emerging technology fund.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3853, As Introduced: a positive impact of \$9,404,028 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	\$8,954,514
2017	\$449,514
2018	\$6,549,514
2019	\$449,514
2020	\$805,501

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 Revenue Gain/(Loss) from New General Revenue Dedicated
2016	(\$181,586)	\$9,136,100	(\$45,300,000)	\$33,300,000
2017	(\$156,586)	\$606,100	\$0	(\$12,000,000)
2018	(\$156,586)	\$6,706,100	\$0	(\$12,000,000)
2019	(\$156,586)	\$606,100	\$0	(\$9,300,000)
2020	(\$156,586)	\$962,087	\$0	\$0

Fiscal Year	Probable Savings/(Cost) from <i>Institutional Funds</i> 8888
2016	(\$12,000,000)
2017	(\$12,000,000)
2018	(\$12,000,000)
2019	(\$9,300,000)
2020	\$0

Fiscal Analysis

The bill would amend Education Code to establish the University Research Initiative Fund administered by the Higher Education Coordinating Board to award matching grants to eligible institutions. The bill would define the program and grant process. The bill would require 50 percent of royalties, revenue, or other financial benefits realized from the commercialization of intellectual or real property developed in connection with receipt of a grant would be returned to the fund.

The bill would repeal the Emerging Technology Fund (ETF) awards for Incentives for Commercialization Activities, and allocations for funding awards from the ETF program would be revised. The bill would require ETF appropriations be allocated in equal amounts to the University Research Initiative Fund and the ETF Acquisition of Research Superiority Program. The bill would direct the involvement of the Texas Treasury Safekeeping Trust Company (TTSTC) in portfolio management, the creation of the Texas Technology Investment Portfolio, and allow the TTSTC to enter into a contract with a nonprofit corporation to manage the portfolio. 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.

Although the ETF awards for Incentives for Commercialization Activities would be abolished effective September 1, 2015, agreements in place before that date would not be affected. All money 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.

Methodology

Using the Comptroller of Public Account's (CPA) Biennial Revenue Estimate, \$90.6 million in unexpended balances in General Revenue - Dedicated Emerging Technology Fund Account No. 5124 would be available; this analysis assumes it would be divided such that 50% would be deposited to the University Research Initiative Fund (\$45.3 million to the *new General Revenue Dedicated*) and the remaining 50% would remain in General Revenue - Dedicated Emerging Technology Fund Account No. 5124 for the Acquisition of Research Superiority Program.

The Higher Education Coordinating Board estimates the cost to implement the provisions of the bill would be \$338,172 in the 2016-17 biennium for 1.78 full-time equivalents (one Program Director, 0.33 Assistant Director, 0.10 Assistant Commissioner, 0.25 Assistant General Counsel, and 0.10 Account Representative II) to administer the University Research Initiative Fund.

Based on a similar state grant program to recruit certain distinguished researchers to institutions of higher education, the Governor's Office estimates a minimum average award amount of \$4 million. Assuming the Higher Education Coordinating Board would award a minimum of three grants each fiscal year with an average grant award of \$4 million each, for a total of \$12 million in grants each fiscal year of the 2016-17 biennium to eligible institutions of higher education. It is assumed that these grants would be for a five year period.

The amount of royalties and revenues realized in association with grant awards that would be returned to the fund is unknown, so it is assumed the grants would end when the initial funding balance is expended, estimated to occur in 2019. Since the bill requires a match of funds from the institution applying for a grant, it is assumed \$4 million each fiscal year for the three grants awarded by the Governor's Office would come from matching Institutional Funds.

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 would be deposited to General Revenue.

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, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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