

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

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

**April 13, 2015**

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

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

**IN RE:** SB632 by Fraser (Relating to certain funds for the enhancement of the state's economic and educational competitiveness, including the creation of the governor's university research initiative.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds for SB632, As Introduced:** a negative impact of (\$346,202) 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	(\$180,601)
2017	(\$165,601)
2018	(\$165,601)
2019	(\$165,601)
2020	(\$165,601)

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

Fiscal Year	Probable Savings/(Cost) from Emerging Technology 5124	Probable Revenue Gain/(Loss) from Texas Enterprise Fund 5107	Probable Revenue Gain/(Loss) from New General Revenue Dedicated	Probable Savings/(Cost) from General Revenue Fund 1
2016	(\$90,618,000)	\$45,309,000	\$33,309,000	(\$180,601)
2017	\$0	\$0	(\$12,000,000)	(\$165,601)
2018	\$0	\$0	(\$12,000,000)	(\$165,601)
2019	\$0	\$0	(\$9,309,000)	(\$165,601)
2020	\$0	\$0	\$0	(\$165,601)

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from Texas Safekeeping Trust Company outside Treasury</b>	<b>Change in Number of State Employees from FY 2015</b>
2016	\$9,136,100	(3.0)
2017	\$606,100	(3.0)
2018	\$6,706,100	(3.0)
2019	\$606,100	(3.0)
2020	\$962,087	(3.0)

## **Fiscal Analysis**

The bill would amend Education Code to establish the Governor's University Research Initiative Fund administered by the Higher Education Coordinating Board to award grants to eligible institutions to recruit distinguished researchers.

The bill would abolish the Emerging Technology Fund (ETF). The bill would direct the involvement of the Texas Treasury Safekeeping Trust Company in ETF portfolio management. The bill would transfer 50 percent of the unencumbered balance of the fund to the Texas Enterprise Fund and 50 percent to the Texas Higher Education Coordinating Board to implement the Governor's University Research Initiative Fund. The bill would direct the disclosure of certain public information collected under the ETF program.

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 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 for appropriation and allocated in equal amounts to the Texas Enterprise Fund (\$45.3 million in General Revenue - Dedicated Texas Enterprise Fund Account No. 5107) and to the Higher Education Coordinating Board for the Governor's University Research Initiative Fund (\$45.3 million that LBB assumes would be deposited in the new General Revenue - Dedicated). The LBB assumes the full-time equivalents (FTEs) of the Office of the Governor would decrease by the five FTEs of the ETF.

The Higher Education Coordinating Board estimates the cost to implement the provisions of the bill would be \$346,202 in General Revenue in the 2016-17 biennium for two full-time equivalents to administer the Governor's University Research Initiative Fund.

Based on a similar state grant program to recruit certain distinguished researchers to institutions of higher education, the LBB 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's assumed that these grants would be for a five year period.

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 which would be deposited in the Texas Treasury Safekeeping Trust Company.

**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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