

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION
Revision 1

April 20, 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 the creation of the governor's university research initiative and to the abolishment of the Texas emerging technology fund.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB632, Committee Report 1st 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 Savings/(Cost) from <i>Emerging Technology</i> 5124	Probable Revenue Gain/(Loss) from <i>Texas Enterprise Fund</i> 5107	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated - Governor's University Research Initiative Fund</i>	Probable Savings/(Cost) from <i>Institutional Funds</i> 8888
2016	(\$90,618,000)	\$45,309,000	\$33,309,000	(\$12,000,000)
2017	\$0	\$0	(\$12,000,000)	(\$12,000,000)
2018	\$0	\$0	(\$12,000,000)	(\$12,000,000)
2019	\$0	\$0	(\$9,309,000)	(\$9,309,000)
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 would abolish the Emerging Technology Fund (ETF). The bill would direct the involvement of the Texas Treasury Safekeeping Trust Company (TTSTC) in ETF portfolio management and directs the TTSTC to wind up the portfolio as soon as practicable after September 1, 2015. The bill would transfer 50 percent of the unencumbered balance of the fund to the Texas Enterprise Fund and 50 percent to the Governor's University Research Initiative Fund.

Although the ETF 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 Governor's University Research Initiative Fund, 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 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 Governor's University Research Initiative Fund (\$45.3 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.

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 Texas Economic Development and Tourism Office within the Office of the Governor 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 in General Revenue - Dedicated Governor's University Research Initiative Fund, to eligible institutions of higher education. It's 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's assumed \$4 million each fiscal year for the three grants awarded by the Governor's Office would come from matching Institutional Funds.

While the bill directs the Texas Treasury Safekeeping Trust Company to wind down the Emerging Technology Fund, the Office of the Governor indicates the fiscal impact cannot be determined at this time. 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, 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, 304 Comptroller of Public Accounts

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