

Chapter 323

S.B. No. 632

AN ACT

1  
2 relating to the creation of the governor's university research  
3 initiative and to the abolishment of the Texas emerging technology  
4 fund.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Chapter 62, Education Code, is amended by adding  
7 Subchapter H to read as follows:

8 SUBCHAPTER H. GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE

9 Sec. 62.161. DEFINITIONS. In this subchapter:

10 (1) "Distinguished researcher" means a researcher who  
11 is:

12 (A) a Nobel laureate; or

13 (B) a member of the National Academy of Sciences,  
14 the National Academy of Engineering, or the National Academy of  
15 Medicine, formerly known as the Institute of Medicine.

16 (2) "Eligible institution" means a general academic  
17 teaching institution or medical and dental unit.

18 (3) "Fund" means the governor's university research  
19 initiative fund established under this subchapter.

20 (4) "General academic teaching institution" has the  
21 meaning assigned by Section 61.003.

22 (5) "Medical and dental unit" has the meaning assigned  
23 by Section 61.003.

24 (6) "Office" means the Texas Economic Development and

1 Tourism Office within the office of the governor.

2 (7) "Private or independent institution of higher  
3 education" has the meaning assigned by Section 61.003.

4 Sec. 62.162. ADMINISTRATION OF INITIATIVE. (a) The  
5 governor's university research initiative is administered by the  
6 Texas Economic Development and Tourism Office within the office of  
7 the governor.

8 (b) The office may adopt any rules the office considers  
9 necessary to administer this subchapter.

10 Sec. 62.163. MATCHING GRANTS TO RECRUIT DISTINGUISHED  
11 RESEARCHERS. (a) From the governor's university research  
12 initiative fund, the office shall award matching grants to assist  
13 eligible institutions in recruiting distinguished researchers.

14 (b) An eligible institution may apply to the office for a  
15 matching grant from the fund. If the office approves a grant  
16 application, the office shall award to the applicant institution a  
17 grant amount equal to the amount committed by the institution for  
18 the recruitment of a distinguished researcher.

19 (c) A grant application must identify the source and amount  
20 of the eligible institution's matching funds and must demonstrate  
21 that the proposed use of the grant has the support of the  
22 institution's president and of the institution's governing board,  
23 the chair of the institution's governing board, or the chancellor  
24 of the university system, if the institution is a component of a  
25 university system. An applicant eligible institution may commit  
26 for matching purposes any funds of the institution available for  
27 that purpose other than appropriated general revenue.

1       (d) A matching grant may not be used by an eligible  
2 institution to recruit a distinguished researcher from:

- 3               (1) another eligible institution; or
- 4               (2) a private or independent institution of higher
- 5 education.

6       Sec. 62.164. GRANT AWARD CRITERIA; PRIORITIES. (a) In  
 7 awarding grants, the office shall give priority to grant proposals  
 8 that involve the recruitment of distinguished researchers in the  
 9 fields of science, technology, engineering, mathematics, and  
 10 medicine. With respect to proposals involving those fields, the  
 11 office shall give priority to proposals that demonstrate a  
 12 reasonable likelihood of contributing substantially to this  
 13 state's national and global economic competitiveness.

14       (b) A grant proposal should identify a specific  
 15 distinguished researcher being recruited.

16       Sec. 62.165. GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE  
 17 FUND. (a) The governor's university research initiative fund is a  
 18 dedicated account in the general revenue fund.

19       (b) The fund consists of:

20               (1) amounts appropriated or otherwise allocated or  
 21 transferred by law to the fund;

22               (2) money deposited to the fund under Section 62.166  
 23 of this subchapter or under Section 490.101(b-1), Government Code;  
 24 and

25               (3) gifts, grants, and other donations received for  
 26 the fund.

27       (c) The fund may be used by the office only for the purposes

1 of this subchapter, including for necessary expenses incurred in  
2 the administration of the fund and this subchapter.

3 Sec. 62.166. WINDING UP OF CONTRACTS AND AWARDS IN  
4 CONNECTION WITH TEXAS EMERGING TECHNOLOGY FUND. (a) The  
5 governor's university research initiative is the successor to the  
6 Texas emerging technology fund. Awards from the Texas emerging  
7 technology fund shall be wound up in accordance with this section  
8 and Section 490.104, Government Code, and contracts governing  
9 awards from that fund shall be wound up in accordance with this  
10 section.

11 (b) If a contract governing an award from the Texas emerging  
12 technology fund provides for the distribution of royalties,  
13 revenue, or other financial benefits to the state, including  
14 royalties, revenue, or other financial benefits realized from the  
15 commercialization of intellectual or real property developed from  
16 an award from the fund, those royalties, revenues, or other  
17 financial benefits shall continue to be distributed in accordance  
18 with the terms of the contract unless the award recipient and the  
19 governor agree otherwise. Unless otherwise required by law,  
20 royalties, revenue, or other financial benefits accruing to the  
21 state under a contract described by this subsection, including any  
22 money returned or repaid to the state by an award recipient, shall  
23 be credited to the governor's university research initiative fund.

24 (c) If money awarded from the Texas emerging technology fund  
25 is encumbered by a contract executed before September 1, 2015, but  
26 has not been distributed before that date, the money shall be  
27 distributed from the governor's university research initiative

1 fund in accordance with the terms of the contract, unless the award  
2 recipient and the governor agree otherwise.

3 (d) Except for an obligation regarding the distribution of  
4 royalties, revenue, or other financial benefits to the state as  
5 provided by Subsection (b), if money awarded from the Texas  
6 emerging technology fund under a contract executed before September  
7 1, 2015, has been fully distributed and the entity that received the  
8 award has fully performed all specific actions under the terms of  
9 the contract governing the award, the entity is considered to have  
10 fully satisfied the entity's obligations under the contract. The  
11 entity shall file with the office a final report showing the  
12 purposes for which the award money has been spent and, if award  
13 money remains unspent, the purposes for which the recipient will  
14 spend the remaining money.

15 Sec. 62.167. CONFIDENTIALITY OF INFORMATION CONCERNING  
16 AWARDS FROM TEXAS EMERGING TECHNOLOGY FUND. (a) Except as  
17 provided by Subsection (b), information collected under former  
18 provisions of Chapter 490, Government Code, concerning the  
19 identity, background, finance, marketing plans, trade secrets, or  
20 other commercially or academically sensitive information of an  
21 individual or entity that was considered for or received an award  
22 from the Texas emerging technology fund is confidential unless the  
23 individual or entity consents to disclosure of the information.

24 (b) The following information collected in connection with  
25 the Texas emerging technology fund is public information and may be  
26 disclosed under Chapter 552, Government Code:

27 (1) the name and address of an individual or entity

1 that received an award from that fund;

2 (2) the amount of funding received by an award  
3 recipient;

4 (3) a brief description of the project funded under  
5 former provisions of Chapter 490, Government Code;

6 (4) if applicable, a brief description of the equity  
7 position that the governor, on behalf of the state, has taken in an  
8 entity that received an award from that fund; and

9 (5) any other information with the consent of:

10 (A) the governor;

11 (B) the lieutenant governor;

12 (C) the speaker of the house of representatives;

13 and

14 (D) the individual or entity that received an  
15 award from that fund, if the information relates to that individual  
16 or entity.

17 Sec. 62.168. REPORTING REQUIREMENT. (a) Before the  
18 beginning of each regular session of the legislature the governor  
19 shall submit to the lieutenant governor, the speaker of the house of  
20 representatives, and the standing committees of each house of the  
21 legislature with primary jurisdiction over economic development  
22 and higher education matters and post on the office of the  
23 governor's Internet website a report on matching grants made to  
24 eligible institutions from the fund that states:

25 (1) the total amount of matching funds granted by the  
26 office;

27 (2) the total amount of matching funds granted to each

1 recipient institution;

2 (3) a brief description of each distinguished  
3 researcher recruited by each recipient institution, including any  
4 amount of external research funding that followed the distinguished  
5 researcher to the institution;

6 (4) a brief description of the expenditures made from  
7 the matching grant funds for each distinguished researcher; and

8 (5) when available, a brief description of each  
9 distinguished researcher's contribution to the state's economic  
10 competitiveness, including:

11 (A) any patents issued to the distinguished  
12 researcher after accepting employment by the recipient  
13 institution; and

14 (B) any external research funding, public or  
15 private, obtained by the distinguished researcher after accepting  
16 employment by the recipient institution.

17 (a-1) The report may not include information that is made  
18 confidential by law.

19 (b) The governor may require an eligible institution that  
20 receives a matching grant under this subchapter to submit, on a form  
21 the governor provides, information required to complete the report.

22 SECTION 2. Subchapter C, Chapter 490, Government Code, is  
23 amended by adding Section 490.104 to read as follows:

24 Sec. 490.104. MANAGEMENT OF INVESTMENT PORTFOLIO; WINDING  
25 UP AND FINAL LIQUIDATION. (a) In this section, "state's emerging  
26 technology investment portfolio" means:

27 (1) the equity positions in the form of stock or other

1 security the governor took, on behalf of the state, in companies  
2 that received awards under the Texas emerging technology fund; and

3 (2) any other investments made by the governor, on  
4 behalf of the state, and associated assets in connection with an  
5 award made under the Texas emerging technology fund.

6 (b) The Texas Treasury Safekeeping Trust Company shall  
7 manage and wind up the state's emerging technology investment  
8 portfolio. The trust company shall wind up the portfolio in a  
9 manner that, to the extent feasible, provides for the maximum  
10 return on the state's investment. In managing those investments  
11 and associated assets through procedures and subject to  
12 restrictions that the trust company considers appropriate, the  
13 trust company may acquire, exchange, sell, supervise, manage, or  
14 retain any kind of investment or associated assets that a prudent  
15 investor, exercising reasonable care, skill, and caution, would  
16 acquire or retain in light of the purposes, terms, distribution  
17 requirements, and other circumstances then prevailing pertinent to  
18 each investment or associated asset. The trust company may recover  
19 its reasonable and necessary costs incurred in the management of  
20 the portfolio from the earnings on the investments and associated  
21 assets in the portfolio.

22 (c) Any realized proceeds or other earnings from the sale of  
23 stock or other investments or associated assets in the state's  
24 emerging technology investment portfolio, less the amount  
25 permitted to be retained for payment of its costs for managing the  
26 portfolio as provided by Subsection (b), shall be remitted by the  
27 Texas Treasury Safekeeping Trust Company to the comptroller for



1 deposit in the general revenue fund.

2 (d) The Texas Treasury Safekeeping Trust Company has any  
3 power necessary to accomplish the purposes of this section.

4 (e) On final liquidation of the state's emerging technology  
5 investment portfolio, the Texas Treasury Safekeeping Trust Company  
6 shall promptly notify the comptroller of that occurrence. As soon  
7 as practicable after receiving that notice, the comptroller shall  
8 verify that the final liquidation has been completed and, if the  
9 comptroller so verifies, shall certify to the governor that the  
10 final liquidation of the portfolio has been completed. The  
11 governor shall post notice of the certification on the office of the  
12 governor's Internet website.

13 (f) Any balance remaining in the Texas emerging technology  
14 fund on final liquidation by the Texas Treasury Safekeeping Trust  
15 Company shall be remitted to the comptroller for deposit in the  
16 general revenue fund.

17 SECTION 3. Section 490.101, Government Code, is amended by  
18 adding Subsections (b-1) and (b-2) to read as follows:

19 (b-1) Notwithstanding Subsection (b), benefits realized  
20 from a project undertaken with money from the fund, as provided by a  
21 contract entered into under former Section 490.103 before September  
22 1, 2015, shall be deposited to the credit of the governor's  
23 university research initiative fund established under Subchapter  
24 H, Chapter 62, Education Code.

25 (b-2) The fund may be used only for the purposes described  
26 by Section 490.104.

27 SECTION 4. (a) The following laws are repealed:

1           (1) Sections 490.101(c), (d), (e), (f), (f-1), (g),  
2 (h), and (i), Government Code;

3           (2) Sections 490.102 and 490.103, Government Code; and

4           (3) Subchapters A, B, D, E, F, and G, Chapter 490,  
5 Government Code.

6           (b) The Texas emerging technology fund is continued solely  
7 for the purposes of winding up the contracts governing awards from  
8 that fund and the state's portfolio of equity positions and other  
9 investments and associated assets in connection with awards from  
10 that fund in accordance with Section 490.104, Government Code, as  
11 added by this Act. The Texas emerging technology fund is abolished  
12 and Sections 490.101(a), (b), (b-1), and (b-2), Government Code,  
13 are repealed when the comptroller certifies to the governor as  
14 provided by Section 490.104, Government Code, as added by this Act,  
15 that the final liquidation of the state's portfolio of equity  
16 positions and other investments and associated assets by the Texas  
17 Treasury Safekeeping Trust Company has been completed. On the  
18 effective date of this Act, any unencumbered fund balance in the  
19 Texas emerging technology fund may be appropriated in accordance  
20 with Subsection (e) of this section.

21           (c) The abolishment by this Act of the Texas emerging  
22 technology fund and the repeal of provisions of Chapter 490,  
23 Government Code, relating to that fund do not affect the validity of  
24 an agreement between the governor and the recipient of an award  
25 awarded under Chapter 490, or a person to be awarded money under  
26 that chapter, that is executed before September 1, 2015. Those  
27 agreements shall be performed as provided by Section 62.166,

1 Education Code, as added by this Act.

2 (d) A regional center of innovation and commercialization  
3 established under Section 490.152, Government Code, is abolished on  
4 the effective date of this Act. Each center shall transfer to the  
5 office of the governor a copy of any meeting minutes required to be  
6 retained under Section 490.1521, Government Code, as that section  
7 existed immediately before that section's repeal by this Act, and  
8 the office shall retain the minutes for the period prescribed by  
9 that section.

10 (e) Any unencumbered balance of the Texas emerging  
11 technology fund may be appropriated only to one or more of the  
12 following:

13 (1) the Texas Research Incentive Program (TRIP) under  
14 Subchapter F, Chapter 62, Education Code;

15 (2) the Texas research university fund, subject to  
16 Subsection (f) of this section;

17 (3) the governor's university research initiative fund  
18 established under Subchapter H, Chapter 62, Education Code, as  
19 added by this Act;

20 (4) the Texas Enterprise Fund established under  
21 Section 481.078, Government Code; and

22 (5) the comptroller for the purposes of expenses  
23 incurred in managing the state's portfolio of equity positions and  
24 other investments in connection with awards from the Texas emerging  
25 technology fund in accordance with Section 490.104, Government  
26 Code, as added by this Act.

27 (f) The authority of the Texas research university fund to

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1 receive the appropriation described by Subsection (e) of this  
2 section is contingent on passage and enactment of H.B. 1000, or  
3 similar legislation relating to state support for general academic  
4 teaching institutions in this state by the 84th Legislature,  
5 Regular Session, 2015, that renames the existing Texas competitive  
6 knowledge fund and changes the purposes for which the fund can be  
7 used.

8 (f-1) On the effective date of this Act, the comptroller of  
9 public accounts shall transfer the encumbered balance of the Texas  
10 emerging technology fund to the credit of the governor's university  
11 research initiative fund established under Subchapter H, Chapter  
12 62, Education Code, as added by this Act, for the purposes of  
13 Section 62.166, Education Code, as added by this Act.

14 (g) Except as provided by this Act, on September 1, 2015,  
15 the following powers, duties, functions, and activities performed  
16 by the office of the governor immediately before that date are  
17 transferred to the Texas Treasury Safekeeping Trust Company:

18 (1) all powers, duties, functions, and activities  
19 related to equity positions in the form of stock or other security  
20 the governor has taken, on behalf of the state, in companies that  
21 received awards under the Texas emerging technology fund before  
22 September 1, 2015; and

23 (2) all powers, duties, functions, and activities  
24 related to other investments made by the governor, on behalf of the  
25 state, and associated assets in connection with an award made under  
26 the Texas emerging technology fund before September 1, 2015.

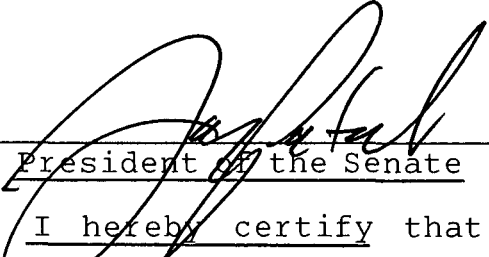
27 (h) Notwithstanding the repeal by this Act of provisions of

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1 Chapter 490, Government Code, those provisions of Chapter 490 are  
2 continued in effect for the limited purpose of winding up contracts  
3 governing awards from the Texas emerging technology fund in  
4 accordance with Section 62.166, Education Code, as added by this  
5 Act, and of winding up the state's portfolio of equity positions and  
6 other investments and associated assets in connection with awards  
7 from that fund in accordance with Section 490.104, Government Code,  
8 as added by this Act.

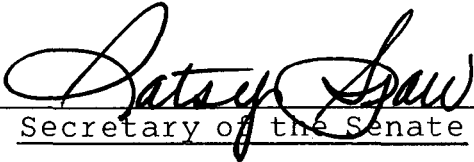
9 SECTION 5. This Act takes effect September 1, 2015. \_\_\_\_\_

S.B. No. 632

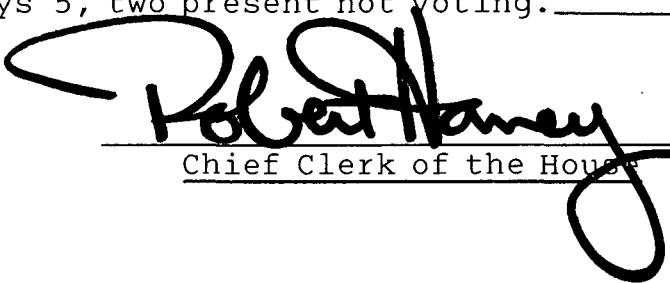
  
President of the Senate

  
Speaker of the House

I hereby certify that S.B. No. 632 passed the Senate on April 29, 2015, by the following vote: Yeas 30, Nays 1; May 28, 2015, Senate refused to concur in House amendment and requested appointment of Conference Committee; May 29, 2015, House granted request of the Senate; May 31, 2015, Senate adopted Conference Committee Report by the following vote: Yeas 30, Nays 1.

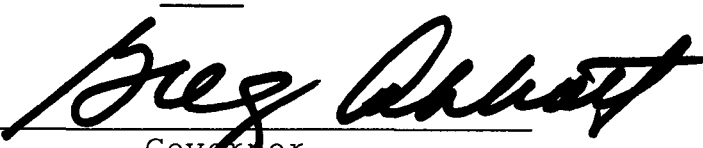
  
Secretary of the Senate

I hereby certify that S.B. No. 632 passed the House, with amendment, on May 26, 2015, by the following vote: Yeas 137, Nays 4, two present not voting; May 29, 2015, House granted request of the Senate for appointment of Conference Committee; May 31, 2015, House adopted Conference Committee Report by the following vote: Yeas 138, Nays 5, two present not voting.

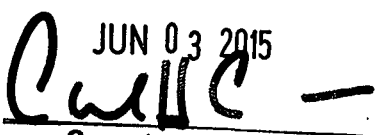
  
Chief Clerk of the House

Approved:

5-3-2015  
Date

  
Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
O'CLOCK

JUN 03 2015  
  
Secretary of State

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

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

**May 30, 2015**

**TO:** Honorable Dan Patrick, Lieutenant Governor, Senate  
 Honorable Joe Straus, Speaker of the House, House of Representatives

**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.), **Conference Committee Report**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB632, Conference Committee Report: 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>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2015
2016	(\$102,000,000)	\$102,000,000	(\$102,000,000)	(5.0)
2017	\$0	\$0	\$0	(5.0)
2018	\$0	\$0	\$0	(5.0)
2019	\$0	\$0	\$0	(5.0)
2020	\$0	\$0	\$0	(5.0)

**Fiscal Analysis**

The bill would amend Education Code to establish the Governor's University Research

Initiative(GURI) 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 direct the winding up of contract and awards in connection with the Emerging Technology Fund (ETF), however, agreements in place before that date would not be affected. The bill would direct the GURI as the successor to the Emerging Technology Fund and royalties, revenue and other financial benefits received in the future, except money returned or repaid to the state by an award recipient, would be deposited to Governor's University Research Initiative Fund. The bill would direct the disclosure of certain public information collected under the ETF program.

The bill would amend Government Code to direct the Texas Treasury Safekeeping Trust Company (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 ETF upon certification by the CPA of final liquidation. All realized proceeds and other earnings from the sale of stock or other investments and associated assets, and any balance remaining at final liquidation of the ETF would be deposited to General Revenue, less the amount permitted to be retained by TTSTC for costs for managing the portfolio.

On the effective date of this Act, the bill would allow the unencumbered balances of the ETF to be appropriated only to: the Texas Research Incentive Program (TRIP); the Texas Research University Fund; Governor's University Research Initiative(GURI); the Texas Enterprise Fund; and to the Comptroller for expenses incurred in managing the investment portfolio in connection with awards from the former ETF. 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. 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 to the Texas Research Incentive Program (TRIP); the Texas Research University Fund; the Texas Enterprise Fund, and to the Comptroller for expenses incurred in managing the investment portfolio in connection with awards from the former ETF. As the bill does not require certain percentages of distribution, it is assumed the balances would be transferred to General Revenue for appropriation by the legislature to the Texas Research Incentive Program (TRIP); the Texas Research University Fund appropriated, and the CPA, and an undetermined amount would be appropriated to the General Revenue - Dedicated Texas Enterprise Fund and to the new General Revenue - Dedicated Governor's University Research Initiative Fund.

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.

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:**

**LBB Staff:** UP, EP, LBe, SD

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

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

**May 22, 2015**

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

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

**IN RE:** SB632 by Fraser (Relating to the abolishment of the Texas emerging technology fund.), Committee Report 2nd House, Substituted

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB632, 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>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Emerging Technology</i> 5124	Change in Number of State Employees from FY 2015
2016	\$102,000,000	(\$102,000,000)	(\$102,000,000)	(7.0)
2017	\$0	\$0	\$0	(7.0)
2018	\$0	\$0	\$0	(7.0)
2019	\$0	\$0	\$0	(7.0)
2020	\$0	\$0	\$0	(7.0)

**Fiscal Analysis**

The bill would amend Government Code to direct the Texas Treasury Safekeeping Trust Company (TTSTC) to manage and wind up the Emerging Technology Fund (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 General Revenue, 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 allow the unencumbered balances of the ETF to be appropriated only to: the Texas Research Incentive Program (TRIP); the Texas Research University Fund; the Texas Enterprise Fund; and to the Comptroller for expenses incurred in managing the investment portfolio in connection with awards from the former ETF.

Contract agreements in place before the enactment of the bill would not be affected. 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 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 to the Texas Research Incentive Program (TRIP); the Texas Research University Fund; the Texas Enterprise Fund, and to the Comptroller for expenses incurred in managing the investment portfolio in connection with awards from the former ETF. As the bill does not require certain percentages of distribution, it is assumed the balances would be transferred to General Revenue for appropriation by the legislature to the Texas Research Incentive Program (TRIP); the Texas Research University Fund appropriated, and the CPA, and an undetermined amount would be appropriated to the General Revenue - Dedicated Texas Enterprise Fund.

The ETF currently is administered by 7.0 FTEs who would no longer be required by the Office of the Governor after the abolishment of the ETF.

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.

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, 304 Comptroller of Public Accounts

**LBB Staff:** UP, CL, EP, LBe

**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 Emerging Technology 5124	Probable Revenue Gain/(Loss) from Texas Enterprise Fund 5107	Probable Revenue Gain/(Loss) from New General Revenue Dedicated - Governor's University Research Initiative Fund	Probable Savings/(Cost) from Institutional Funds 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

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2015</b>
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

**LBB Staff:** UP, SZ, EP, LBe, SD

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

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

**April 17, 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: a negative impact of (\$2,141,508) 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	(\$1,070,754)
2017	(\$1,070,754)
2018	(\$1,070,754)
2019	(\$1,070,754)
2020	(\$1,070,754)

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

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	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 - Governor's University Research Initiative Fund
2016	(\$1,070,754)	(\$90,618,000)	\$45,309,000	\$33,309,000
2017	(\$1,070,754)	\$0	\$0	(\$12,000,000)
2018	(\$1,070,754)	\$0	\$0	(\$12,000,000)
2019	(\$1,070,754)	\$0	\$0	(\$9,309,000)
2020	(\$1,070,754)	\$0	\$0	\$0



Fiscal Year	Probable
	Savings/(Cost) from <i>Institutional Funds</i>
	<b>8888</b>
2016	(\$12,000,000)
2017	(\$12,000,000)
2018	(\$12,000,000)
2019	(\$9,309,000)
2020	\$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 LBB assumes 7.0 full-time equivalents (FTEs) at the Office of the Governor would transfer from the ETF program to the Governor's University Research Initiative. The bill does not designate the authorized uses of the Governor's University Research Initiative Fund, so it is assumed the administrative costs would be paid out of General Revenue. Based on the 2016-17 Legislative Appropriations Request (LAR) for administrative costs for the Emerging Technology Fund, it is assumed the administrative costs of the Governor's University Research Initiative

would be \$1,070,754 each fiscal year in General Revenue.

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

**LBB Staff:** UP, SZ, EP, LBe

**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 <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</i> <i>Dedicated</i>	Probable Savings/(Cost) from <i>General Revenue Fund</i> 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 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

**LBB Staff:** UP, SZ, EP, LBe