

**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 General Revenue Fund 1	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Emerging Technology 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