

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

May 30, 2015

Date

Honorable Dan Patrick
President of the Senate

Honorable Joe Straus
Speaker of the House of Representatives

Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on SB 632 have had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

[Signature]
Senator Fraser

[Signature]
Senator Estes

[Signature]
Senator Huffman

[Signature]
Senator Nelson

[Signature]
On the part of the Senate
Senator Zaffrin

[Signature]
Representative Batten

[Signature]
Representative Brown

[Signature]
Representative Anderson

[Signature]
Representative Ashby

[Signature]
On the part of the House
Representative Firdth

Note to Conference Committee Clerk:

Please type the names of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

CONFERENCE COMMITTEE REPORT

3rd Printing

S.B. No. 632

A BILL TO BE ENTITLED

AN ACT

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

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

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

SUBCHAPTER H. GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE

Sec. 62.161. DEFINITIONS. In this subchapter:

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

(A) a Nobel laureate; or

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

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

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

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

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

(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 governor
11 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

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.

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SENATE VERSION

HOUSE VERSION (CS)

CONFERENCE

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

No equivalent provision.

SECTION 1. Same as Senate version.

SUBCHAPTER H. GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE

No equivalent provision.

SUBCHAPTER H. Same as Senate version.

Sec. 62.161. DEFINITIONS. In this subchapter:

No equivalent provision.

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

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(A) a Nobel laureate; or

(A) a Nobel laureate; or

(B) a member of the National Academy of Sciences, the National Academy of Engineering, *the Institute of Medicine, or the National Research Council.*

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

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

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

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

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

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

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

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

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

(6) "Office" means the Texas Economic Development and Tourism Office within the office of the governor.

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

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

Sec. 62.162. ADMINISTRATION OF INITIATIVE. (a)

No equivalent provision.

Sec. 62.162. Same as Senate version.

The governor's university research initiative is administered by the Texas Economic Development and Tourism Office within the office of the governor.

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

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

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

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

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

Sec. 62.164. GRANT AWARD PRIORITIES. In awarding grants, the office shall give priority to grant proposals that involve the recruitment of distinguished researchers in the fields of science, technology, engineering, and mathematics. With respect to proposals involving those fields, the office shall give priority to proposals that demonstrate a reasonable likelihood of contributing substantially to this state's national

No equivalent provision.

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

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

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

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

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

Sec. 62.164. GRANT AWARD **CRITERIA**; PRIORITIES. (a) In awarding grants, the office shall give priority to grant proposals that involve the recruitment of distinguished researchers in the fields of science, technology, engineering, mathematics, and *medicine*. With respect to proposals involving those fields, the office shall give priority to proposals that demonstrate a reasonable likelihood of

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and global economic competitiveness.

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

(b) The fund consists of:

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

(2) money deposited to the fund under Section 62.166; and

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

Sec. 62.166. WINDING UP OF CONTRACTS AND AWARDS IN CONNECTION WITH FORMER TEXAS EMERGING TECHNOLOGY FUND. (a) The governor's university research initiative is the successor to the former Texas emerging technology fund. Awards from the former Texas emerging technology fund, and contracts governing awards from that fund, shall be wound up in accordance with this section.

(b) If a contract governing an award from the former Texas emerging technology fund provides for the distribution of

No equivalent provision.

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contributing substantially to this state's national and global economic competitiveness.

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

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

(b) The fund consists of:

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

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

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

(c) The fund may be used by the office only for the purposes of this subchapter, including for necessary expenses incurred in the administration of the fund and this subchapter.

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

(b) If a contract governing an award from the Texas emerging technology fund provides for the distribution of royalties,

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royalties, revenue, or other financial benefits to the state, including royalties, revenue, or other financial benefits realized from the commercialization of intellectual or real property developed from an award from the fund, those royalties, revenues, or other financial benefits shall continue to be distributed in accordance with the terms of the contract unless the award recipient and the governor agree otherwise. Unless otherwise required by law, royalties, revenue, or other financial benefits accruing to the state under a contract described by this subsection shall be credited to the governor's university research initiative fund.

(c) If money awarded from the former Texas emerging technology fund is encumbered by a contract executed before September 1, 2015, but has not been distributed before that date, the money shall be distributed from the governor's university research initiative fund in accordance with the terms of the contract, unless the award recipient and the governor agree otherwise.

(d) If money awarded from the former Texas emerging technology fund under a contract executed before September 1, 2015, has been fully distributed, ***the entity that received the award is considered to have fully satisfied the entity's obligations and fully performed all specific actions under the terms of the contract governing the award.*** The entity shall file with the office a final report showing the purposes for which the award money has been spent and, if award money remains unspent, the purposes for which the recipient will spend the remaining money. ***The entity is not required to return to the state any award money received under the contract.***

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revenue, or other financial benefits to the state, including royalties, revenue, or other financial benefits realized from the commercialization of intellectual or real property developed from an award from the fund, those royalties, revenues, or other financial benefits shall continue to be distributed in accordance with the terms of the contract unless the award recipient and the governor agree otherwise. Unless otherwise required by law, royalties, revenue, or other financial benefits accruing to the state under a contract described by this subsection, ***including any money returned or repaid to the state by an award recipient,*** shall be credited to the governor's university research initiative fund.

(c) If money awarded from the Texas emerging technology fund is encumbered by a contract executed before September 1, 2015, but has not been distributed before that date, the money shall be distributed from the governor's university research initiative fund in accordance with the terms of the contract, unless the award recipient and the governor agree otherwise.

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

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(e) The Texas Treasury Safekeeping Trust Company shall manage the following:

(1) equity positions in the form of stock or other security taken by the governor, on behalf of the state, in companies receiving awards under former Chapter 490, Government Code, before September 1, 2015; and

(2) any other investments, excluding grants, made by the governor on the state's behalf in connection with an award made under former Chapter 490, Government Code, before September 1, 2015.

(f) As soon as practicable after September 1, 2015, the Texas Treasury Safekeeping Trust Company shall begin winding up the state's portfolio of equity positions and other investments described by Subsection (e) by selling the stock and other investments when it is economically advantageous to the state to do so. The trust company has any power necessary in performing duties under this subsection and Subsections (e) and (g) to accomplish the purpose of this section. In managing those investments through procedures and subject to restrictions that the trust company considers appropriate, the trust company may acquire, exchange, sell, supervise, manage, or retain any kind of investment that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances then prevailing pertinent to each investment.

(g) Proceeds or other earnings from the sale of stock or other investments in the state's portfolio of equity positions and other investments described by Subsection (e) shall be deposited to the credit of the governor's university research initiative fund, taking into consideration the expenses of managing and liquidating the equity positions and other

(See Sec. 490.104, Government Code, below.)

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investments.

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

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

(1) the name and address of an individual or entity that received an award from *the former Texas emerging technology fund*;

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

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

(4) if applicable, a brief description of the equity position that the governor, on behalf of the state, has taken in an entity that received an award from *the former Texas emerging technology fund*; and

(5) any other information with the consent of:

(A) the governor;

(B) the lieutenant governor;

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

(D) the individual or entity that received an award from *the*

(See Sec. 490.105, Government Code, below.)

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

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

(1) the name and address of an individual or entity that received an award from *that fund*;

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

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

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

(5) any other information with the consent of:

(A) the governor;

(B) the lieutenant governor;

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

(D) the individual or entity that received an award from *that*

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former Texas emerging technology fund, if the information relates to that individual or entity.

Sec. 62.168. REPORTING **REQUIREMENTS**. (a) Before the beginning of each regular session of the legislature the governor shall submit to the lieutenant governor, the speaker of the house of representatives, and the standing committees of each house of the legislature with primary jurisdiction over economic development and higher education matters and post on the office of the governor's Internet website a report on grants made from the governor's university research initiative fund that states:

- (1) the total amount of matching funds granted by the office;
 - (2) the total amount of matching funds granted to each institution;
 - (3) a brief description of each distinguished researcher recruited by each institution, including any amount of external research funding that followed the distinguished researcher to the recruiting institution;
 - (4) a brief description of the expenditures made from the matching grant funds for each distinguished researcher; and
 - (5) when available, a brief description of each distinguished researcher's contribution to the state's economic competitiveness, including **but not limited to**:
 - (A) any patents issued to the distinguished researcher after accepting employment by the recruiting institution; and
 - (B) any external research funding, public or private, **earned** by the distinguished researcher after accepting employment by the recruiting institution.
- (a-1) The report may not include information that is made confidential by law.
- (b) The governor may require **a recipient of a grant under**

No equivalent provision.

fund, if the information relates to that individual or entity.

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

- (1) the total amount of matching funds granted by the office;
 - (2) the total amount of matching funds granted to each recipient institution;
 - (3) a brief description of each distinguished researcher recruited by each recipient institution, including any amount of external research funding that followed the distinguished researcher to the institution;
 - (4) a brief description of the expenditures made from the matching grant funds for each distinguished researcher; and
 - (5) when available, a brief description of each distinguished researcher's contribution to the state's economic competitiveness, including:
 - (A) any patents issued to the distinguished researcher after accepting employment by the recipient institution; and
 - (B) any external research funding, public or private, **obtained** by the distinguished researcher after accepting employment by the recipient institution.
- (a-1) The report may not include information that is made confidential by law.
- (b) The governor may require **an eligible institution that**

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the governor's university research initiative to submit, on a form the governor provides, information required to complete the report.

No equivalent provision.

(See Secs. 62.166(e)-(g), Education Code, above.)

SECTION 1. The heading to Chapter 490, Government Code, is amended to read as follows:

CHAPTER 490. WINDING UP CONTRACTS AND STATE'S INVESTMENT PORTFOLIO IN CONNECTION WITH AWARDS FROM TEXAS ~~[FUNDING FOR]~~ EMERGING TECHNOLOGY FUND

SECTION 2. Subchapter C, Chapter 490, Government Code, is amended by adding Sections 490.104 and 490.105 to read as follows:

Sec. 490.104. MANAGEMENT OF INVESTMENT PORTFOLIO; WINDING UP AND FINAL LIQUIDATION.

(a) In this section, "state's emerging technology investment portfolio" means:

(1) the equity positions in the form of stock or other security the governor took, on behalf of the state, in companies that received awards under the Texas emerging technology fund; and

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

(b) The Texas Treasury Safekeeping Trust Company shall manage and wind up the state's emerging technology investment portfolio. The trust company shall wind up the portfolio in a manner that, to the extent feasible, provides for the maximum return on the state's investment. In managing those investments through procedures and subject to restrictions that the trust company considers appropriate, the

receives a matching grant under this subchapter to submit, on a form the governor provides, information required to complete the report.

Same as Senate version.

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

Sec. 490.104. MANAGEMENT OF INVESTMENT PORTFOLIO; WINDING UP AND FINAL LIQUIDATION.

(a) In this section, "state's emerging technology investment portfolio" means:

(1) the equity positions in the form of stock or other security the governor took, on behalf of the state, in companies that received awards under the Texas emerging technology fund; and

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

(b) The Texas Treasury Safekeeping Trust Company shall manage and wind up the state's emerging technology investment portfolio. The trust company shall wind up the portfolio in a manner that, to the extent feasible, provides for the maximum return on the state's investment. In managing those investments **and associated assets** through procedures and subject to restrictions that the trust company considers

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trust company may acquire, exchange, sell, supervise, manage, or retain any kind of investment that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances then prevailing pertinent to each investment. The trust company may recover its reasonable and necessary costs incurred in the management of the portfolio from the earnings on the investments in the portfolio.

(c) Any realized proceeds or other earnings from the sale of stock or other investments in the state's emerging technology investment portfolio, less the amount permitted to be retained for payment of its costs for managing the portfolio as provided by Subsection (b), shall be remitted by the Texas Treasury Safekeeping Trust Company to the comptroller for deposit in the general revenue fund.

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

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

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

appropriate, the trust company may acquire, exchange, sell, supervise, manage, or retain any kind of investment *or associated assets* that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances then prevailing pertinent to each investment *or associated asset*. The trust company may recover its reasonable and necessary costs incurred in the management of the portfolio from the earnings on the investments *and associated assets* in the portfolio.

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

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

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

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

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(See Sec. 62.167, Education Code, above.)

Sec. 490.105. CONFIDENTIALITY OF CERTAIN INFORMATION. (a) Except as provided by Subsection (b), information concerning the identity, background, finance, marketing plans, trade secrets, or other commercially or academically sensitive information of an individual or entity that was considered for or received an award from the Texas emerging technology fund is confidential unless the individual or entity consents to disclosure of the information.

(b) The following information collected in connection with the Texas emerging technology fund is public information and may be disclosed under Chapter 552, Government Code:
(1) the name and address of an individual or entity that received an award from the fund;
(2) the amount of funding received by an award recipient;
(3) a brief description of the project funded by the award;
(4) if applicable, a brief description of the equity position that the governor, on behalf of the state, has taken in an entity that received an award from the fund; and
(5) any other information with the consent of:
(A) the governor;
(B) the lieutenant governor;
(C) the speaker of the house of representatives; and
(D) the individual or entity that received an award from the fund, if the information relates to that individual or entity.

No equivalent provision.

SECTION 3. Section 490.101, Government Code, is amended by adding Subsection (b-1) to read as follows:

(See Sec. 62.167, Education Code, above.)

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

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SECTION 2. (a) *Chapter 490, Government Code*, is repealed.

No equivalent provision.

(b-1) The fund may be used only for the purposes described by Section 490.104.

SECTION 4. The following laws are repealed:
(1) Sections 490.101(c), (d), (e), (f), (f-1), (g), (h), and (i), Government Code;
(2) Section 490.102, Government Code; and
(3) Subchapters A, B, D, E, F, and G, Chapter 490, Government Code.

SECTION 5. (a) The Texas emerging technology fund is continued solely for the purposes of winding up the contracts governing awards from that fund and the state's portfolio of equity positions and other investments in connection with awards from that fund in accordance with Section 490.104, Government Code, as added by this Act. The Texas emerging technology fund is abolished and Sections 490.101(a), (b), and (b-1), Government Code, are repealed when the comptroller certifies to the governor as provided by Section 490.104, Government Code, as added by this Act, that the final liquidation of the state's portfolio of equity positions and other investments by the Texas Treasury Safekeeping Trust Company has been completed.

from a project undertaken with money from the fund, as provided by a contract entered into under former Section 490.103 before September 1, 2015, shall be deposited to the credit of the governor's university research initiative fund established under Subchapter H, Chapter 62, Education Code.

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

SECTION 4. (a) Same as House version except also *repeals Section 490.103, Government Code.*

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

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No equivalent provision.

(a-1) *On or after the effective date of this Act*, any unencumbered balance of the Texas emerging technology fund may be appropriated only to one or more of the following:

- (1) the Texas Research Incentive Program (TRIP) under Subchapter F, Chapter 62, Education Code;
- (2) the Texas research university fund, subject to Subsection (b) of this section;

(3) the Texas Enterprise Fund established under Section 481.078, Government Code; and

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

(b) *The repeal by this Act of Chapter 490, Government Code*, does not affect the validity of an agreement between the governor and the recipient of an award awarded under Chapter 490, or a person to be awarded money under that chapter, that is executed before September 1, 2015. *Those agreements shall be performed as provided by Section 62.166, Education Code, as added by this Act.*

(d) *The abolishment by this Act of the Texas emerging technology fund and the repeal of provisions of Chapter 490, Government Code, relating to that fund* do not affect the validity of an agreement between the governor and the recipient of an award awarded under Chapter 490, or a person to be awarded money under that chapter, that is executed before September 1, 2015.

(c) A regional center of innovation and commercialization

(f) Same as Senate version.

section.

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

- (1) the Texas Research Incentive Program (TRIP) under Subchapter F, Chapter 62, Education Code;
- (2) the Texas research university fund, subject to Subsection (f) of this section;

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

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

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

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

(d) Same as Senate version.

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established under Section 490.152, Government Code, is abolished on the effective date of this Act. Each center shall transfer to the office of the governor a copy of any meeting minutes required to be retained under Section 490.1521, Government Code, as that section existed immediately before that section's repeal by this Act, and the office shall retain the minutes for the period prescribed by that section.

No equivalent provision.

(d) *The Texas emerging technology fund is abolished.* On the effective date of this Act, the comptroller of public accounts shall transfer *any unexpended* balance of that fund *as follows:*

(1) *50 percent of the balance to the credit of the Texas Enterprise Fund under Section 481.078, Government Code; and*

(2) *50 percent of the balance to the credit of the governor's university research initiative fund established under Subchapter H, Chapter 62, Education Code, as added by this Act.*

No equivalent provision.

(b) The authority of the Texas research university fund to receive the appropriation described by Subsection (a-1) of this section is contingent on passage and enactment of H.B. 1000, or similar legislation relating to state support for general academic teaching institutions in this state by the 84th Legislature, Regular Session, 2015, that renames the existing Texas competitive knowledge fund and changes the purposes for which the fund can be used.

No equivalent provision.

(c) On or after the effective date of this Act, the following payments or other amounts shall be deposited to the credit of the Texas emerging technology fund to be used by the Texas

(f) Substantially the same as House version.

(f-1) On the effective date of this Act, the comptroller of public accounts shall transfer *the encumbered* balance of the Texas emerging technology fund

to the credit of the governor's university research initiative fund established under Subchapter H, Chapter 62, Education Code, as added by this Act, *for the purposes of Section 62.166, Education Code, as added by this Act.*

Same as Senate version.

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Treasury Safekeeping Trust Company solely for the purposes of winding up the state's portfolio of equity positions and other investments as provided by Sections 490.101(b-1) and 490.104, Government Code, as added by this Act:

- (1) any royalties, revenues, and other financial benefits realized from a project undertaken with money from the Texas emerging technology fund, as provided by a contract described by Section 490.103, Government Code;
- (2) any interest or proceeds received as a result of a transaction authorized by former Section 490.101(h), Government Code;
- (3) any money returned or repaid to the state by an award recipient pursuant to an agreement entered into under former Section 490.101(g), Government Code;
- (4) any money derived from an interest the state retained in a capital improvement pursuant to an agreement entered into under former Section 490.101(g), Government Code; and
- (5) any fund money returned by an entity that fails to perform an action guaranteed by a contract entered into under former Section 490.154 or 490.203, Government Code.

No equivalent provision.

(e) Money from the Texas emerging technology fund that is encumbered because the money is awarded or otherwise obligated by agreement before September 1, 2015, but under the terms of the award or agreement will not be distributed before that date shall be distributed from the Texas emerging technology fund in accordance with the terms of the agreement, unless the award recipient and the governor agree otherwise.

Same as Senate version.

(e) On September 1, 2015, the following powers, duties, functions, and activities performed by the office of the

(g) *Except as provided by this Act*, on September 1, 2015, the following powers, duties, functions, and activities performed

(g) Same as House version except under Subdivision (2) specifies all powers, duties, functions, and activities

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governor immediately before that date are transferred to the Texas Treasury Safekeeping Trust Company:

(1) all powers, duties, functions, and activities related to equity positions in the form of stock or other security the governor has taken, on behalf of the state, in companies that received awards under *Chapter 490, Government Code*, before September 1, 2015; and

(2) all powers, duties, functions, and activities related to other investments, *excluding grants*, made by the governor, on behalf of the state, in connection with an award made under *Chapter 490, Government Code*, before September 1, 2015.

(f) Notwithstanding the repeal by this Act of Chapter 490, Government Code, *that chapter is* continued in effect for the limited purpose of *winding down* contracts governing awards from the Texas emerging technology fund and the state's portfolio of equity positions and other investments in connection with awards from that fund in accordance with *Section 62.166, Education Code*, as added by this Act.

SECTION 3. This Act takes effect September 1, 2015.

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by the office of the governor immediately before that date are transferred to the Texas Treasury Safekeeping Trust Company:

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

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

(h) Notwithstanding the repeal by this Act of *provisions of* Chapter 490, Government Code, *those provisions of Chapter 490 are* continued in effect for the limited purpose of *winding up* contracts governing awards from the Texas emerging technology fund and the state's portfolio of equity positions and other investments in connection with awards from that fund in accordance with *Section 490.104, Government Code*, as added by this Act.

SECTION 6. Same as Senate version.

CONFERENCE

related to other investments made by the governor, on behalf of the state, *and associated assets* in connection with an award made under the Texas emerging technology fund before September 1, 2015.

(h) Notwithstanding the repeal by this Act of *provisions of* Chapter 490, Government Code, *those provisions of Chapter 490 are* continued in effect for the limited purpose of *winding up* contracts governing awards from the Texas emerging technology fund *in accordance with Section 62.166, Education Code, as added by this Act*, and of winding up the state's portfolio of equity positions and other investments *and associated assets* in connection with awards from that fund in accordance with *Section 490.104, Government Code*, as added by this Act.

SECTION 5. Same as Senate version.

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

**Certification of Compliance with
Rule 13, Section 6(b), House Rules of Procedure**

Rule 13, Section 6(b), House Rules of Procedure, requires a copy of a conference committee report signed by a majority of each committee of the conference to be furnished to each member of the committee in person or, if unable to deliver in person, by placing a copy in the member's newspaper mailbox at least one hour before the report is furnished to each member of the house under Rule 13, Section 10(a). The paper copies of the report submitted to the chief clerk under Rule 13, Section 10(b), must contain a certificate that the requirement of Rule 13, Section 6(b), has been satisfied, and that certificate must be attached to the copy of the report furnished to each member under Rule 13, Section 10(d). Failure to comply with this requirement is not a sustainable point of order under Rule 13.

I certify that a copy of the conference committee report on SB 632 was furnished to each member of the conference committee in compliance with Rule 13, Section 6(b), House Rules of Procedure, before submission of the paper copies of the report to the chief clerk under Rule 13, Section 10(b), House Rules of Procedure.


(name)

5/30/2015
(date)