

BILL ANALYSIS

Senate Research Center

H.B. 1887
By: Morrison (Ratliff)
Education
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Engrossed

DIGEST AND PURPOSE

Currently, Texas law permits 50% of a university's indirect cost reimbursements to be deducted from the institution's state general revenue appropriations. By losing half the value of these "overhead" payments on research grants, Texas universities are placed at a disadvantage when competing with institutions in other states. Allowing institutions to retain 100% of the indirect costs, as is the case in many large states with which Texas competes for grants, the money could be reinvested in the research enterprise which may help to attract even more external funding.

The principle costs of most university research projects are for salaries and benefits for research assistants, graduate students, and other investigators. Other costs often include items such as laboratory supplies, computer time, and travel directly associated with a research project. These are the "direct" costs associated with research. The indirect costs include the costs of accounting and auditing for a grant, providing clerical and administrative support, providing laboratory and office space, centralized computing facilities and other capital equipment, utilities, and other campus infrastructure. (Indirect costs are also referred to as "overhead".) Indirect costs are generally associated with centralized functions that serve multiple research projects, if not all of an institution's research enterprise.

Many research grants, particularly from federal agencies, recognize the need to pay for both the direct and the indirect costs of research. In addition to the grant itself, which is designed to pay for the direct costs, grantors provide funds known as "indirect cost reimbursements." These payments are intended for just that: reimbursement to an institution for the costs of providing the underlying support facilities and services that make research possible.

H.B. 1887 prohibits the funds retained by a general academic teaching institution, a medical and dental unit, and other agency of higher education from being accounted for in an appropriations act in such a way as to reduce the general revenue funds to be appropriated to a general academic teaching institution or a medical or dental unit. Sets forth the requirements to which the retained funds are subject.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 145.001(c), Education Code, to prohibit the funds retained by a defined institution under Subsection (b) from being accounted for in an appropriations act in such a way as to reduce the general revenue funds to be appropriated to a general academic teaching institution or a medical or dental unit. Sets forth the requirements to which the retained funds are subject. Deletes text referring to the General Appropriations Act and a method of providing for the application of locally generated funds and reducing the general revenue to be appropriated. Deletes text referring to funds received by a general academic teaching institution or a medical or dental unit for paying overhead costs, and text referring to funds retained but not applied to reduce general revenue appropriations.

SECTION 2. Effective date: upon passage or September 1, 2003.