

SENATE AMENDMENTS

2nd Printing

By: Orr, Aycock, Hochberg, Pitts, Otto,
et al.

H.J.R. No. 109

A JOINT RESOLUTION

1 proposing a constitutional amendment to clarify references to the
2 permanent school fund and to allow the General Land Office or other
3 entity to distribute revenue derived from permanent school fund
4 land or other properties to the available school fund.

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

6 SECTION 1. Section 49-b(h), Article III, Texas
7 Constitution, is amended to read as follows:

8 (h) Lands purchased and comprising a part of the Veterans'
9 Land Fund are declared to be held for a governmental purpose, but
10 the individual purchasers of those lands shall be subject to
11 taxation to the same extent and in the same manner as are purchasers
12 of lands dedicated to the Permanent [~~Free Public~~] School Fund. The
13 lands shall be sold to veterans in quantities, on terms, at prices,
14 and at fixed, variable, floating, or other rates of interest,
15 determined by the Board and in accordance with rules of the Board.
16 Notwithstanding any provisions of this section to the contrary,
17 lands in the Veterans' Land Fund that are offered for sale to
18 veterans and that are not sold may be sold or resold to the
19 purchasers in quantities, on terms, at prices, and at rates of
20 interest determined by the Board and in accordance with rules of the
21 Board.

22 SECTION 2. Sections 2 and 4, Article VII, Texas
23 Constitution, are amended to read as follows:

24 Sec. 2. All funds, lands and other property heretofore set

1 apart and appropriated for the support of public schools; all the
2 alternate sections of land reserved by the State out of grants
3 heretofore made or that may hereafter be made to railroads or other
4 corporations of any nature whatsoever; one half of the public
5 domain of the State; and all sums of money that may come to the State
6 from the sale of any portion of the same, shall constitute a
7 permanent [~~perpetual public~~] school fund.

8 Sec. 4. The lands herein set apart to the Permanent [~~Public~~
9 ~~Free~~] School fund, shall be sold under such regulations, at such
10 times, and on such terms as may be prescribed by law; and the
11 Legislature shall not have power to grant any relief to purchasers
12 thereof. The proceeds of such sales must be used to acquire other
13 land for the Permanent [~~Public Free~~] School fund as provided by law
14 or the proceeds shall be invested by the comptroller of public
15 accounts, as may be directed by the Board of Education herein
16 provided for, in the bonds of the United States, the State of Texas,
17 or counties in said State, or in such other securities, and under
18 such restrictions as may be prescribed by law; and the State shall
19 be responsible for all investments.

20 SECTION 3. Section 5, Article VII, Texas Constitution, is
21 amended by adding Subsection (g) to read as follows:

22 (g) Notwithstanding any other provision of this
23 constitution or of a statute, the General Land Office or an entity
24 other than the State Board of Education that has responsibility for
25 the management of permanent school fund land or other properties
26 may in its sole discretion distribute to the available school fund
27 each year any or all revenue derived during that year from the land

1 or properties.

2 SECTION 4. This proposed constitutional amendment shall be
3 submitted to the voters at an election to be held November 8, 2011.
4 The ballot shall be printed to provide for voting for or against the
5 proposition: "The constitutional amendment clarifying references
6 to the permanent school fund and allowing the General Land Office to
7 distribute revenue from permanent school fund land or other
8 properties to the available school fund to provide additional
9 funding for public education."

ADOPTED

MAY 21 2011

Atty. Gen.
Secretary of the Senate

By: Ogden

H.J.R. No. 109

Substitute the following for H.J.R. No. 109:

By: Ogden

C.S.H.J.R. No. 109

A JOINT RESOLUTION

1 proposing a constitutional amendment to clarify references to the
2 permanent school fund, to allow the General Land Office to
3 distribute revenue derived from permanent school fund land or other
4 properties to the available school fund, and to provide for an
5 increase in the market value of the permanent school fund for the
6 purpose of allowing increased distributions from the available
7 school fund.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

9 SECTION 1. Section 49-b(h), Article III, Texas
10 Constitution, is amended to read as follows:

11 (h) Lands purchased and comprising a part of the Veterans'
12 Land Fund are declared to be held for a governmental purpose, but
13 the individual purchasers of those lands shall be subject to
14 taxation to the same extent and in the same manner as are purchasers
15 of lands dedicated to the Permanent [~~Free Public~~] School Fund. The
16 lands shall be sold to veterans in quantities, on terms, at prices,
17 and at fixed, variable, floating, or other rates of interest,
18 determined by the Board and in accordance with rules of the Board.
19 Notwithstanding any provisions of this section to the contrary,
20 lands in the Veterans' Land Fund that are offered for sale to
21 veterans and that are not sold may be sold or resold to the
22 purchasers in quantities, on terms, at prices, and at rates of
23 interest determined by the Board and in accordance with rules of the
24 Board.

1 SECTION 2. Sections 2 and 4, Article VII, Texas
2 Constitution, are amended to read as follows:

3 Sec. 2. All funds, lands and other property heretofore set
4 apart and appropriated for the support of public schools; all the
5 alternate sections of land reserved by the State out of grants
6 heretofore made or that may hereafter be made to railroads or other
7 corporations of any nature whatsoever; one half of the public
8 domain of the State; and all sums of money that may come to the State
9 from the sale of any portion of the same, shall constitute a
10 permanent [~~perpetual-public~~] school fund.

11 Sec. 4. The lands herein set apart to the Permanent [~~Public~~
12 ~~Free~~] School fund, shall be sold under such regulations, at such
13 times, and on such terms as may be prescribed by law; and the
14 Legislature shall not have power to grant any relief to purchasers
15 thereof. The proceeds of such sales must be used to acquire other
16 land for the Permanent [~~Public-Free~~] School fund as provided by law
17 or the proceeds shall be invested by the comptroller of public
18 accounts, as may be directed by the Board of Education herein
19 provided for, in the bonds of the United States, the State of Texas,
20 or counties in said State, or in such other securities, and under
21 such restrictions as may be prescribed by law; and the State shall
22 be responsible for all investments.

23 SECTION 3. Section 5, Article VII, Texas Constitution, is
24 amended by amending Subsection (a) and adding Subsection (g) to
25 read as follows:

26 (a) The permanent school fund consists of all land
27 appropriated for public schools by this constitution or the other

1 laws of this state, other properties belonging to the permanent
2 school fund, and all revenue derived from the land or other
3 properties. The available school fund consists of the
4 distributions made to it from the total return on all investment
5 assets of the permanent school fund, the taxes authorized by this
6 constitution or general law to be part of the available school fund,
7 and appropriations made to the available school fund by the
8 legislature. The total amount distributed from the permanent
9 school fund to the available school fund:

10 (1) in each year of a state fiscal biennium must be an
11 amount that is not more than six percent of the average of the
12 market value of the permanent school fund, excluding real property
13 belonging to the fund that is managed, sold, or acquired under
14 Section 4 of this article, but including discretionary real assets
15 investments and cash in the state treasury derived from property
16 belonging to the fund, on the last day of each of the 16 state fiscal
17 quarters preceding the regular session of the legislature that
18 begins before that state fiscal biennium, in accordance with the
19 rate adopted by:

20 (A) a vote of two-thirds of the total membership
21 of the State Board of Education, taken before the regular session of
22 the legislature convenes; or

23 (B) the legislature by general law or
24 appropriation, if the State Board of Education does not adopt a rate
25 as provided by Paragraph (A) of this subdivision; and

26 (2) over the 10-year period consisting of the current
27 state fiscal year and the nine preceding state fiscal years may not

1 exceed the total return on all investment assets of the permanent
2 school fund over the same 10-year period.

3 (g) Notwithstanding any other provision of this
4 constitution or of a statute, the General Land Office or an entity
5 other than the State Board of Education that has responsibility for
6 the management of permanent school fund land or other properties
7 may in its sole discretion distribute to the available school fund
8 each year revenue derived during that year from the land or
9 properties, not to exceed \$300 million each year.

10 SECTION 4. The following temporary provision is added to
11 the Texas Constitution:

12 TEMPORARY PROVISION. (a) This temporary provision applies
13 to the constitutional amendment proposed by H.J.R. No. 109, 82nd
14 Legislature, Regular Session, 2011, providing for an increase in
15 the market value of the permanent school fund for the purpose of
16 allowing increased distributions from the available school fund.

17 (b) The change to Section 5(a), Article VII, of this
18 constitution made by the amendment applies to a distribution from
19 the permanent school fund to the available school fund made on or
20 after September 1, 2011.

21 (c) This temporary provision expires December 1, 2015.

22 SECTION 5. This proposed constitutional amendment shall be
23 submitted to the voters at an election to be held November 8, 2011.
24 The ballot shall be printed to provide for voting for or against the
25 proposition: "The constitutional amendment clarifying references
26 to the permanent school fund, allowing the General Land Office to
27 distribute revenue from permanent school fund land or other

1 properties to the available school fund to provide additional
2 funding for public education, and providing for an increase in the
3 market value of the permanent school fund for the purpose of
4 allowing increased distributions from the available school fund."

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 22, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HJR109 by Orr (Proposing a constitutional amendment to clarify references to the permanent school fund, to allow the General Land Office to distribute revenue derived from permanent school fund land or other properties to the available school fund, and to provide for an increase in the market value of the permanent school fund for the purpose of allowing increased distributions from the available school fund.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR109, As Passed 2nd House: a positive impact of \$150,694,505 through the biennium ending August 31, 2013.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$75,294,505
2013	\$75,400,000
2014	\$80,000,000
2015	\$80,000,000
2016	\$84,800,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Available School Fund</i> 2	Probable Revenue (Loss) from <i>Permanent School Fund</i> 44	Probable (Cost) from <i>General Revenue Fund</i> 1
2012	\$75,400,000	\$76,908,000	(\$105,495)
2013	\$75,400,000	\$79,019,200	\$0
2014	\$80,000,000	\$86,951,497	\$0
2015	\$80,000,000	\$90,864,314	\$0
2016	\$84,800,000	\$94,710,684	\$0

Fiscal Analysis

The resolution would propose a constitutional amendment to clarify references to the Permanent School Fund (PSF) in the Texas Constitution.

The resolution would propose amending Article VII, Section 5 (a)(1) of the Texas Constitution to include the discretionary real assets investments and cash in the state treasury derived from property belonging to the fund in the PSF market value calculation.

The resolution would propose adding Subsection (g) to Article VII, Section 5 of the Texas Constitution to allow the General Land Office (GLO) to distribute revenue derived from PSF land or properties to the Available School Fund (ASF). The distribution could not exceed \$300 million per

year.

The resolution would require that the amendment to the Texas Constitution be submitted to voters at an election on November 8, 2011.

Methodology

The approximate value of the real assets investments and cash that would be added to the calculation of the PSF's market value for purposes of the total return distribution is currently \$2.2 billion. At the 4.2 percent distribution rate adopted by the State Board of Education (SBOE) for the 2012-13 biennium, the resolution would increase the total return distribution by an estimated \$75.4 million in each year of the 2012-13 biennium.

Assuming a distribution rate of 3.5 percent in the 2014-15 biennium and beyond, as the value of the real assets investments increased annually, distributions to the ASF would increase in the out years.

The amounts described above would be a loss to either the investment corpus of the PSF managed by SBOE or, should the School Land Board (SLB) increase its transfers to the SBOE to cover this share of the distribution, to the assets managed by the SLB. In addition, the PSF would not benefit from the compounding interest that would be derived from these assets remaining in the corpus. This fiscal note's estimate of interest not earned is discounted for the fact that a portion of it would have been distributed to the ASF under current law through the total return rate under Subsection (a).

The cost to the state for publication of the resolution is \$105,495.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: JOB, KK, SD

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 20, 2011

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HJR109 by Orr (proposing a constitutional amendment to clarify references to the permanent school fund, to allow the General Land Office to distribute revenue derived from permanent school fund land or other properties to the available school fund, and to provide for an increase in the market value of the permanent school fund for the purpose of allowing increased distributions from the available school fund.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$105,495.

The resolution would propose a constitutional amendment to clarify references to the Permanent School Fund (PSF) in the Texas Constitution.

The resolution would propose amending Article VII, Section 5 (a)(1) of the Texas Constitution to include the discretionary real assets investments and cash in the state treasury derived from property belonging to the fund in the PSF market value calculation.

The resolution would propose adding Subsection (g) to Article VII, Section 5 of the Texas Constitution to allow the General Land Office (GLO) to distribute revenue derived from PSF land or properties to the Available School Fund (ASF). The distribution could not exceed \$300 million per year.

The resolution would require that the amendment to the Texas Constitution be submitted to voters at an election on November 8, 2011.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, KK, SD

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 13, 2011

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HJR109 by Orr (Proposing a constitutional amendment to clarify references to the permanent school fund and to allow the General Land Office or other entity to distribute revenue derived from permanent school fund land or other properties to the available school fund.), **As Engrossed**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$105,495.

The resolution would propose a constitutional amendment to clarify references to the Permanent School Fund (PSF) and to allow the General Land Office (GLO) to distribute revenue derived from PSF land or properties to the Available School Fund (ASF).

The resolution would require that the amendment to the Texas Constitution be submitted to voters at an election on November 8, 2011.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 30, 2011

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HJR109 by Orr (proposing a constitutional amendment to clarify references to the permanent school fund and to allow the legislature by general law to direct the General Land Office to distribute revenue derived from permanent school fund land or properties to the available school fund.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$105,495.

The resolution would propose a constitutional amendment to clarify references to the Permanent School Fund (PSF) and to allow the Legislature to direct the General Land Office (GLO) to distribute revenue derived from PSF land or properties to the Available School Fund (ASF).

The resolution would require that the amendment to the Texas Constitution be submitted to voters at an election on November 8, 2011.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 6, 2011

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HJR109 by Orr (Proposing a constitutional amendment to clarify references to the permanent school fund and to allow the General Land Office to distribute revenue derived from permanent school fund land or properties to the available school fund.), **As Introduced**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$105,495.

The resolution would propose a constitutional amendment to clarify references to the Permanent School Fund (PSF) and to allow the General Land Office (GLO) to distribute revenue derived from PSF land or properties to the Available School Fund (ASF).

The resolution would require that the amendment to the Texas Constitution be submitted to voters at an election on November 8, 2011.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, KK, SD