

**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