

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 11, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR1 by Williams (Proposing a constitutional amendment providing for the creation and use of funds in the state treasury to provide financial assistance for certain projects related to economic development and water infrastructure and for the transfer to the funds of money from the economic stabilization fund.), **As Introduced**

No fiscal impact to General Revenue other than the cost of publication. All fiscal implications would occur in funds outside of General Revenue.

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 |
|-------------|---|
| 2014 | (\$108,921) |
| 2015 | \$0 |
| 2016 | \$0 |
| 2017 | \$0 |
| 2018 | \$0 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from <i>General Revenue Fund</i> 1 | Probable (Cost) from <i>Economic Stabilization</i> <i>Fund</i> 599 | Probable Revenue (Loss) from <i>Economic Stabilization</i> <i>Fund</i> 599 | Probable Revenue Gain from <i>State Water</i> <i>Implementation Fund</i> |
|-------------|---|---|--|---|
| 2014 | (\$108,921) | (\$6,000,000,000) | (\$40,120,000) | \$2,516,717,000 |
| 2015 | \$0 | \$0 | (\$91,227,000) | \$38,011,000 |
| 2016 | \$0 | \$0 | (\$123,757,000) | \$51,565,000 |
| 2017 | \$0 | \$0 | (\$158,182,000) | \$65,909,000 |
| 2018 | \$0 | \$0 | (\$195,066,000) | \$81,278,000 |

| Fiscal Year | Probable Revenue Gain from State Infrastructure Fund |
|--------------------|---|
| 2014 | \$3,523,403,000 |
| 2015 | \$53,216,000 |
| 2016 | \$72,192,000 |
| 2017 | \$92,273,000 |
| 2018 | \$113,789,000 |

Fiscal Analysis

This resolution creates two new funds within the state treasury, the State Water Implementation Fund and the State Infrastructure Fund; it identifies a source of revenue to those funds, and makes stipulations for their dedicated use.

This resolution would propose an amendment to Article III of the Texas Constitution to add new Section 49-d-12 to create the State Water Implementation Fund as a special fund inside the state treasury and outside the General Revenue Fund to provide a means to finance water infrastructure projects in this state. The State Water Implementation Fund would consist of money or other assets deposited, appropriated or otherwise transferred to the credit of the fund as provided by law, and interest and other investment earnings that accrue on the fund balance.

Under the amendment's provisions (1) the Legislature by general law would be authorized to provide for the assets of the fund to be invested separately from other treasury assets taking into consideration the goal of preserving the aggregate purchasing power of the fund assets, and would prescribe the manner in which the assets of the fund may be used; and (2) an appropriation from the State Water Implementation Fund would be considered an appropriation of state tax revenues dedicated by the Constitution for the purposes of Section 22, Article VIII, Texas Constitution.

Under the amendment's provisions, on November 30, 2013 the amount of \$2.5 billion would be transferred from the Economic Stabilization Fund to the credit of the state Water Implementation Fund.

This resolution would propose an amendment to Section 49-p, Article III, Texas Constitution to allow money deposited to credit of the State Highway Fund to be appropriated to repay the principal and interest on bonds issued under that Section.

This resolution would propose an amendment to Article XVI of the Texas Constitution to add new Section 74 to create the State Infrastructure Fund as a special fund inside the state treasury and outside the General Revenue Fund. The fund would consist of legislative appropriations, donations, repayments from loans made under this section, and interest and other investments earnings that accrue on the fund balance. Money in the fund could be used to provide loans to political subdivisions for economic development infrastructure projects, and credit enhancements to political subdivisions and other governmental entities that operate or maintain mass transit or toll projects related to economic development infrastructure projects.

Under the amendment's provisions (1) money or other assets of the fund would be invested separately from other treasury assets taking into consideration the goal of preserving the aggregate purchasing power of the fund assets; (2) the Legislature by general law would prescribe the manner in which the assets of the fund may be used; and (3) an appropriation from the State Infrastructure Fund would be considered an appropriation of state tax revenues dedicated by the

Constitution for the purposes of Section 22, Article VIII, Texas Constitution.

Under the amendment's provisions, on November 30, 2013 the amount of \$3.5 billion would be transferred from the Economic Stabilization Fund to the credit of the State Infrastructure Fund.

The proposed amendments to the Texas Constitution in this resolution would be submitted to voters at an election to be held November 5, 2013.

Methodology

The fiscal impacts of the resolution were based on the Comptroller's 2014-15 Biennial Revenue Estimate. The amendment's provisions would decrease the amount of money in Fund 0599, the Economic Stabilization Fund, as well as a loss of interest income that would otherwise have been earned on the transferred balance. The Comptroller reports that interest earnings to the recipient funds cannot be estimated as neither fund investment nor expenditure patterns are known. While indeterminate, it is estimated that there would be interest earnings generated by the new funds. For illustrative purposes, potential interest earnings to the two funds are reflected in the above tables.

Note: This bill does not make an appropriation from either newly-created fund.

Note: This legislation 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 this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No fiscal implication to units of local government is anticipated from this resolution alone.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS