

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 15, 2003

TO: Honorable Kent Grusendorf, Chair, House Committee on Public Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3246 by Pitts (Relating to the accounting basis used in connection with the permanent school fund.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3246, As Introduced: a positive impact of \$100,000,000 through the biennium ending August 31, 2005.

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
2004	\$100,000,000
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from AVAILABLE SCHOOL FUND 2
2004	\$100,000,000
2005	\$0
2006	\$0
2007	\$0
2008	\$0

Fiscal Analysis

The bill would direct an accounting change within the Permanent School Fund from a cash basis to an accrual basis. Under current practice, income to the PSF is realized only when dividend or interest is actually received.

Methodology

Payment of certain income to the Available School Fund affects the general revenue needed to pay for the Foundation School Program. It is assumed that this accounting shift would result in a one-time gain of \$100 million in 2004, and that the gain would be counted as increased revenue to the Available School Fund. There may need to be an additional statutory mechanism to capture the accrued interest as available cash.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency

LBB Staff: JK, WP, CT, UP