

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**March 24, 2003**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Infrastructure Development and Security

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: SB1082** by Ogden (Relating to loans from the permanent school fund for the acquisition of rights-of-way for the state highway system.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1082, As Introduced: a negative impact of (\$21,510,000) through the biennium ending August 31, 2005.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$7,170,000)
2005	(\$14,340,000)
2006	(\$14,340,000)
2007	(\$14,340,000)
2008	(\$14,340,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>STATE HIGHWAY FUND</i> 6	Probable Savings/(Cost) from <i>STATE HIGHWAY FUND</i> 6	Probable Revenue Gain/ (Loss) from <i>AVAILABLE SCHOOL FUND</i> 2
2004	\$1,000,000,000	(\$1,028,800,000)	(\$7,170,000)
2005		(\$57,600,000)	(\$14,340,000)
2006		(\$57,600,000)	(\$14,340,000)
2007		(\$57,600,000)	(\$14,340,000)
2008		(\$57,600,000)	(\$14,340,000)

**Fiscal Analysis**

The bill is contingent on the passage and voter approval of Senate Joint Resolution (SJR) 43, or similar legislation which proposes a constitutional amendment authorizing the State Board of Education (SBE) to loan money to the Texas Department of Transportation (TxDOT) from the Permanent School Fund (PSF) for the purposes of acquiring rights-of-way for development of the state highway system. The bill would establish guidelines, restrictions, and requirements governing interest rates and loan agreements made under the provisions of the bill. The bill would require loans to be guaranteed by the first deposits made to the State Highway Fund each year. The bill would require the State Board of Education to make the best effort to loan funds upon receiving a request from the Texas Department of Transportation. The bill would also require that loans made under the provisions of the bill would be considered as investments of the Permanent School Fund.

The bill would take effect on the date on which the constitutional amendment proposed by the 78th Legislature, Regular Session, authorizing the issuance of bonds for improvements to the state highway system would take effect. If that amendment does not receive approval by the voters, this bill would have no effect.

### **Methodology**

Contingent on the passage and voter approval of SJR 43, or similar legislation, the bill would require interest payments estimated on the assumption that there would be one loan of \$1.0 billion for right-of-way purchases on March 1, 2004 at an interest rate of 5.76 percent, which is equal to the most recent five-year average return reported by the Comptroller of Public Accounts; that the term of the loan would extend beyond the five year period noted above; that TxDOT would spend the full amount during the first year; and that interest payments of \$28.8 million in fiscal year 2004 and \$57.6 million in each subsequent year would be realized from the State Highway Fund for the term of the loan. It is assumed the Texas Education Agency would have invested funds from the PSF in income producing assets in the absence of making a loan to TxDOT. Based on the current interest earnings yield of 7.19 percent, it is assumed the Available School Fund (ASF) would realize a revenue loss equivalent to the difference from the current interest earned by the PSF and the most recent five-year average return of 5.76 percent. It is also assumed the ASF would receive six months of the current yield in fiscal 2004 due to the estimated loan date.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 701 Central Education Agency

**LBB Staff:** JK, JO, RR, RT, MW