

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 2, 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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1082, Committee Report 1st House, Substituted: a negative impact of (\$21,510,000) 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	(\$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 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

This analysis assumes the passage and voter approval of SJR 43, or similar legislation; that interest payments would be required on 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 also assumed that 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 that the Available School Fund (ASF) would realize a revenue loss equitable to the difference from the current interest earned by the PSF and the most recent five-year average return of 5.76. It is also assumed the ASF would receive six months of the current yield in fiscal 2004 due to the estimated loan date.

If the SBE either did not make a loan under the provisions of the bill, or made a loan where interest payments would provide a return similar to other available investment opportunities in the market, then there would be no fiscal impact. If the loan interest actually exceeded the return on other investments, then there would be a revenue gain to the ASF.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 601 Department of Transportation, 701 Central Education Agency

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