

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 23, 2009

TO: Honorable Rob Eissler, Chair, House Committee on Public Education

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2037 by Howard, Donna (Relating to the creation of the Permanent School Fund Management Council to manage the permanent school fund; providing a criminal penalty.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2037, As Introduced: a negative impact of (\$459,000) through the biennium ending August 31, 2011.

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
2010	(\$234,000)
2011	(\$225,000)
2012	(\$225,000)
2013	(\$225,000)
2014	(\$225,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2009
2010	(\$234,000)	1.6
2011	(\$225,000)	1.6
2012	(\$225,000)	1.6
2013	(\$225,000)	1.6
2014	(\$225,000)	1.6

Fiscal Analysis

The bill would establish a Permanent School Fund Management Council (the Council) to administer the Permanent School Fund including the management of investments.

The bill would establish that the Council may make investments as permitted under Section 5(f), Article VII, Texas Constitution and would specifically prohibit investments in real estate.

The bill would require the State Auditor's Office (SAO) to perform an annual financial audit of the Permanent School Fund and would allow the SAO to contract with an accounting firm for this purpose.

The bill would require annual reports to the Governor and the Legislature of the Council's investment and fiduciary practices and policies.

The bill would take effect on January 1, 2010 contingent on approval of the associated constitutional amendment.

Methodology

Assuming the annual financial audit required by the bill is not contracted to an independent accounting firm, the SAO estimates the audit requirements and a one-time review of the Council's ethics policy in FY2010 would require 1.6 full-time-equivalent positions at a cost of \$234,000 in FY2010 and \$225,000 in each subsequent fiscal year.

The Texas Education Agency indicated any costs associated with the bill could be funded within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 308 State Auditor's Office, 701 Central Education Agency

LBB Staff: JOB, JSp, JGM, JSc