

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 30, 2009

TO: Honorable Mark Homer, Chair, House Committee on Culture, Recreation & Tourism

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

IN RE: HB2242 by Leibowitz (Relating to the abolition of the Texas cultural endowment fund.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB2242, Committee Report 1st House, Substituted: an impact of \$0 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	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Arts Operating Account</i> 334	Probable Revenue Gain from <i>Arts Operating Account</i> 334
2010	(\$328,990)	\$6,579,793
2011	(\$328,990)	\$0
2012	(\$328,990)	\$0
2013	(\$328,990)	\$0
2014	(\$328,990)	\$0

Fiscal Analysis

The bill would implement one of the options presented in the LBB Government Effectiveness and Efficiency Report to the Eighty-first Legislature entitled, "Optimize the Texas Commission on the Arts' Cultural Endowment Fund." The bill would abolish the Texas Commission on the Arts' Cultural Endowment Fund, established outside the Treasury, and would repeal sections of the Government Code pertaining to the Cultural Endowment Fund.

The bill would amend the Government Code to deposit donations of money to the Texas Commission on the Arts in the agency's operating account (#334), and not in the Cultural Endowment Fund. It would repeal statute enabling a person to designate a donation for the Cultural Endowment Fund and statutory references to funds required to be deposited in the Cultural Endowment Fund. It would amend statute to require that proceeds from the sale of compact discs under the Texas Music Project

be deposited in the agency's operating fund, and not in the Cultural Endowment Fund.

The bill would require the Texas Commission on the Arts to review donor restrictions on donations to the Cultural Endowment Fund before December 1, 2009. On December 1, 2009, the Cultural Endowment Fund would be abolished and the money and related interest and income earned in the fund would be transferred to the agency's operating fund or returned to donors, as applicable.

The bill would take effect September 1, 2009.

Methodology

The bill would result in a one-time gain in General Revenue-Dedicated Funds of \$6,579,793 to the Texas Commission on the Arts' operating account (#334). The amount available for transfer differs from the LBB Government Effectiveness and Efficiency Report due to losses sustained by the fund since the report's publication. This analysis assumes the Cultural Endowment Fund's value as of February 28, 2009 and that no further changes would be made with regard to the fund's fair market value. Because the fund would be abolished on December 1, 2009, the amount available for transfer would have to be adjusted.

This analysis also assumes none of the private donations would need to be returned to private donors because the fund's balance would be transferred to the agency's operating account to be used to support the agency's operations. However, if upon review of donor restrictions, the agency finds it must return some portion of the estimated \$1,839,807 in private donations and related interest and income earned to donors, the amount available for transfer would be reduced. The agency indicates there would be no cost associated with review of donations to determine whether they are available for transfer.

The agency indicates there is no expectation of increased deposits in its operating account from private donations or deposits from the Texas Music Project as a result of the fund's abolition.

The bill would result in a loss of General Revenue Dedicated-Funds from future interest and income earned on the Cultural Endowment Fund that the agency is required by statute to transfer to its operating account annually. This amount is estimated to be \$328,990 per year, based on the fund's current value and an expected rate of return of 5 percent per year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 813 Commission on the Arts

LBB Staff: JOB, WK, JI, LL