

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 6, 2011**

**TO:** Honorable Jim Pitts, Chair, House Committee on Appropriations

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

**IN RE: HB2646** by Orr (Relating to distribution by the School Land Board of revenue derived from permanent school fund land or other properties to the available school fund.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2646, As Introduced: a positive impact of \$400,000,000 through the biennium ending August 31, 2013.

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
2012	\$200,000,000
2013	\$200,000,000
2014	\$200,000,000
2015	\$200,000,000
2016	\$200,000,000

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

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Available School Fund</i> 2	Probable Revenue Gain/(Loss) from <i>Permanent School Fund</i> 44
2012	\$200,000,000	(\$216,000,000)
2013	\$200,000,000	(\$233,280,000)
2014	\$200,000,000	(\$251,942,400)
2015	\$200,000,000	(\$272,097,792)
2016	\$200,000,000	(\$293,865,615)

**Fiscal Analysis**

The bill would require the School Land Board (SLB) to distribute to the Available School Fund (ASF), a General Revenue fund, an amount equal to 50 percent of the net revenue derived during that year from Permanent School Fund (PSF) land or other PSF properties managed by the SLB.

Implementation of the bill, and the fiscal impacts described in this fiscal note, would be contingent on the passage and approval by the voters of a constitutional amendment allowing the General Land Office (GLO), on behalf of the SLB, to distribute revenue generated by Permanent School Fund assets to the Available School Fund.

**Methodology**

Based on information provided by the GLO, net revenue derived from PSF land managed by the SLB averages approximately \$400.0 million per fiscal year. Passage of the bill and a companion constitutional amendment would thus result in \$200.0 million in each fiscal year, or 50 percent of this derived revenue, being distributed to the ASF. This would increase revenue available to fund current statutory uses for the ASF: the Foundation School Program, instructional materials and the technology allotment.

The funds distributed to the ASF would not be available for investment by the PSF, either through real estate investments by the SLB or the investment fund controlled by the State Board of Education. In addition to the \$200 million less in investment assets a year, the PSF would forgo investment earnings on these funds that would have otherwise remain in the PSF. This estimate assumes that in addition to the \$200.0 million that is lost from the fund each fiscal year, an additional 8 percent (the estimated annual rate of return) of that amount would not be realized in the first year, with a compounded amount being lost from the PSF in future years. As shown in the table above, the loss to the PSF would range from \$216.0 million in fiscal year 2012 to \$293.9 million in fiscal year 2016.

### **Local Government Impact**

Depending upon appropriations decisions of the Legislature, school districts could benefit by having additional revenue distributed to the ASF, a dedicated account for public education.

Because the value of the PSF, including assets managed by the SLB and SBOE, serves as a basis for guaranteeing school district bonds through the Bond Guarantee Program which lowers borrowing costs for districts, the provisions of this bill would have the effect of lowering the capacity of that program. However, the program is not currently near its capacity limit.

**Source Agencies:** 305 General Land Office and Veterans' Land Board

**LBB Staff:** JOB, KK, JGM, TL