LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 15, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3574** by Orr (Relating to the authority of the School Land Board to designate certain revenue for deposit in the real estate special fund account of the permanent school fund.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would prohibit the School Land Board (SLB) from designating certain revenues for deposit in the Real Estate Special Fund Account (RESFA) of the Permanent School Fund (PSF) No. 44--Other Funds. Under current law the SLB has the authority to designate to the RESFA revenues received from royalty and mineral interests, real estate investments, or other interests including revenues received from those sources.

This analysis assumes that the following revenues, which currently get deposited to the RESFA portion of the PSF, would no longer be available for investment use by the SLB: Oil and Gas Lease Bonuses, Oil and Gas Lease Rentals, Oil Royalties from Lands owned by Educational Institutions, Gas Royalties from Lands Owned by Education Institutions, Hard Mineral Prospects and Leases, Wind/Other Lease Income from School Land, and Royalties on Other Hard Minerals. Based on the Comptroller's Biennial Revenue Estimate for 2014-15, an estimated $414.3 million in revenues from these sources will be received in fiscal year 2013. Upon passage of the bill, it is assumed that these amounts would no longer be available to the SLB for investment uses. Instead, it is assumed that these revenues would stay within the corpus of the PSF No. 44 for use by the State Board of Education. Because the funds would remain within the same account within the state treasury, no direct fiscal impact is expected as a result of the bill's passage.

The General Land Office (GLO), which manages the RESFA investment portfolio to enhance returns for the PSF reports that the bill would likely result in opportunity costs from foregone investment returns that would have ordinarily materialized through revenues from mineral and royalty interests managed in the RESFA portfolio, but would no longer be available to RESFA. The GLO reports that the only income that could be earned on the funds that would no longer be available to be invested by the SLB would be depository interest. The loss associated with potentially foregone investment income is not included in this estimate.

Local Government Impact

Passage of the bill is not expected to have an immediate impact on school districts. However, because the bill would increase the amount of funds available in the PSF No. 44 for the SBOE to transfer to the Available School Fund, some school districts could expeience a positive fiscal impact as a result of the bill's passage. The impact would depend on the transfer rate that would be adopted by the SBOE.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board

LBB Staff: UP, KK, ZS, TL