

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 15, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR1 by Williams (Proposing constitutional amendments providing for the transfer of existing money from the economic stabilization fund to assist in the financing of priority water infrastructure projects in the state water plan and to assist in the funding of transportation construction, maintenance, and rehabilitation projects and providing for the transfer of \$800 million from the economic stabilization fund for the purposes of public education.), **As Engrossed**

No fiscal impact to General Revenue other than the cost of publication. All fiscal implications would occur in funds outside of General Revenue.

Section 1 of the resolution would make an indeterminate appropriation depending on the amount and terms of the bonds issued in accordance with provisions of the resolution.

Section 2 and 3 of the resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Section 4 of the resolution would make an appropriation.

Appropriations:

Fiscal Year	Appropriation out of <i>Economic Stabilization Fund</i> 599
2014	\$400,000,000
2015	\$400,000,000

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$108,921)
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Economic Stabilization Fund 599</i>	Probable Revenue (Loss) from <i>Economic Stabilization Fund 599</i>	Probable Revenue Gain from <i>State Water Implementation Fund</i>	Probable Revenue Gain from <i>State Highway Fund 6</i>
2014	\$5,700,000,000	(\$39,188,000)	\$2,013,750,175	\$2,919,937,754
2015	\$0	(\$86,682,000)	\$30,414,737	\$44,101,368
2016	\$0	(\$117,591,000)	\$41,260,000	\$59,827,000
2017	\$0	(\$150,301,000)	\$52,737,193	\$76,468,930
2018	\$0	(\$185,348,000)	\$65,034,386	\$94,299,860

Fiscal Year	Probable (Cost) from <i>General Revenue Fund 1</i>
2014	(\$108,921)
2015	\$0
2016	\$0
2017	\$0
2018	\$0

Fiscal Analysis

This resolution would propose an amendment to Article III of the Texas Constitution to add new Section 49-d-12 to create the state water implementation fund as a special fund inside the state treasury and outside the General Revenue Fund to provide a means to finance water infrastructure, conservation, and reuse projects in this state. The state water implementation fund would consist of money or other assets deposited, appropriated or otherwise transferred to the credit of the fund as provided by law, and interest and other investment earnings that accrue on the fund balance.

Under the amendment's provisions (1) the Legislature by general law would be authorized to provide for the assets of the fund to be invested separately from other treasury assets taking into consideration the goal of preserving the aggregate purchasing power of the fund assets, and would prescribe the manner in which the assets of the fund may be used; (2) in each fiscal year in which amounts become due under the bonds, or agreements authorized by this section, the revenue deposited to the credit of this fund is appropriated in the amount sufficient to (a) pay the principal of, the interest on, and any costs related to the bonds that mature or become due during the fiscal year, and (b) fund or restore reserves necessary to secure bonds; (3) any dedication or appropriation of revenue credited to the fund may not be modified to prevent impairment of any outstanding bonds; and (4) an appropriation from the state water implementation fund would be considered an appropriation of state tax revenues dedicated by the Constitution for the purposes of Section 22, Article VIII, Texas Constitution.

Under the amendment's provisions, on November 30, 2013 the amount of \$2.0 billion would be transferred from the Economic Stabilization Fund (ESF) to the credit of the state water implementation fund.

This resolution would propose an amendment to Article III of the Texas Constitution to add new Section 49-d-13 to create the state water implementation revenue fund as a special fund inside the state treasury and outside the General Revenue Fund to provide means to finance water

infrastructure, conservation, and reuse projects in this state. The state water implementation revenue fund would consist of money or other assets deposited, appropriated or otherwise transferred to the credit of the fund as provided by law, and interest and other investment earnings that accrue on the fund balance; the proceeds from the sale of bonds, including revenue bonds authorized by Texas Water Development Board (TWDB); money disbursed to the fund from the state water implementation fund; repayments of loans made from the fund; and proceeds from sale of political subdivision bonds and obligations held in the fund and not otherwise pledged to discharge, repay, or redeem revenue bonds or other bonds, the proceeds of which were placed in the fund.

Under the amendment's provisions (1) the Legislature by general law would be authorized to provide for the assets of the fund to be invested separately from other treasury assets taking into consideration the goal of preserving the aggregate purchasing power of the fund assets, and would prescribe the manner in which the assets of the fund may be used; and would authorize TWDB to issue bonds and enter into bond enhancement agreements that are payable from revenue deposited to the credit of the state water implementation revenue fund; (2) in each fiscal year in which amounts become due under the bonds, or agreements authorized by this section, the revenue deposited to the credit of this fund is appropriated in the amount sufficient to pay the principal of, the interest on, and any costs related to the bonds that mature or become due during the fiscal year; (3) any dedication or appropriation of revenue credited to the fund may not be modified to prevent impairment of any outstanding bonds.

This resolution would propose an amendment to Section 49-p, Article III, of the Texas Constitution to allow money deposited to the credit of the State Highway Fund to be appropriated to repay the principal and interest on bonds issued under this section.

This resolution would propose an amendment to Section 49-g, Article III, of the Texas Constitution to add new Subsection (p) to transfer \$2.9 billion from the ESF on November 30, 2013 to the credit of an account created by the Texas Department of Transportation (TxDOT) in the State Highway Fund. The transferred amount would be used (a) to pay the principal and interest on bonds issued on or before January 1, 2013 for projects described by Rider No. 42, pages VII-36 and VII-37, Article VII, Chapter 1355, Acts of the 82nd Legislature, Regular Session, 2011 (the General Appropriation Act); and (b) to fund projects previously selected to be funded with the proceeds of bonds issued under Section 49-p, Article III, of the Texas Constitution. Interest earned on funds transferred would be deposited to the credit of the State Highway Fund. The amounts appropriated under this subsection are not included in determining the total amount of appropriations from state tax revenues for the purposes of Section 22, Article VIII, of the Texas Constitution.

This resolution would propose an amendment to Section 49-g, Article III, of the Texas Constitution to add new Subsection (q) relating to appropriation from the ESF to the Texas Education Agency for the state fiscal biennium beginning September 1, 2013. The amendment would appropriate \$500 million for the purpose of the Foundation School Program to increase the basic allotment under the Foundation School Program for the 2013-14 and 2014-15 school years, and \$300 million for the purpose of the educator excellence awards program as provided by Sections 21.705 (1)-(8) of the Education Code. The amounts appropriated under this subsection are not included in determining the total amount of appropriations from state tax revenues for the purposes of Section 22, Article VIII, of the Texas Constitution.

The proposed amendments to the Texas Constitution in this resolution would be submitted to voters at an election to be held November 5, 2013.

Methodology

The fiscal impacts of the bill were based on the Comptroller's 2014-15 Biennial Revenue Estimate. The amendments' provisions would decrease the amount of money in Economic Stabilization Fund 0599, as well as a loss of interest income that would otherwise have been earned on the transferred balance. The Comptroller of Public Accounts reports that interest earnings to the recipient funds cannot be estimated as neither fund investment nor expenditure patterns are known. While indeterminate, it is estimated that there would be interest earnings generated by the new funds, absent any specific appropriation from the SWIFT or the State Highway Fund. For illustrative purposes, potential interest earnings to the two funds are reflected in the above tables.

Section 1 of the resolutions states that each fiscal year money is appropriated from the SWIFT to pay the debt service on bonds authorized by the resolution. The amount of bonds issued are unknown at this time, therefore the appropriation for debt service is unknown and not included in this analysis.

If the constitutional amendment is adopted, TxDOT indicates they would possibly not have to issue the remaining \$2.9 billion in Prop 12 bonds. By not issuing the bonds, the state could eventually forgo an estimated \$190 million in annual debt service payable from general revenue. In addition, if the \$111 million of debt service on the \$2.1 billion in Prop 12 bonds that have already been issued is paid from State Highway Funds, as contemplated in Section 2 of SJR 1, then approximately \$300 million (debt service on unissued and issued bonds) of general revenue could eventually be freed up each year. Meanwhile, \$111 million of State Highway Funds may be used for existing debt service. Since the language in the resolution is permissive, these savings are not included in the above tables.

TEA indicates they could make the required updates to the FSP to increase the basic allotment and could administer the educator excellence awards program with existing resources.

Note: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

The resolution would increase the basic allotment for the 2013-2014 and 2014-2015 school years and would provide funding for the educator excellence awards if the resolution passed in the November 5, 2013 election.

Source Agencies: 304 Comptroller of Public Accounts, 580 Water Development Board, 601 Department of Transportation, 701 Central Education Agency

LBB Staff: UP, KK, SD, TB