

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 16, 2015

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1474 by VanDeaver (Relating to the placement of money in the state instructional materials fund and payment of the instructional materials allotment.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1474, As Engrossed: a negative impact of (\$4,200,000) through the biennium ending August 31, 2017.

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
2016	(\$4,200,000)
2017	\$0
2018	(\$4,200,000)
2019	\$0
2020	(\$4,200,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2016	(\$4,200,000)
2017	\$0
2018	(\$4,200,000)
2019	\$0
2020	(\$4,200,000)

Fiscal Analysis

The bill would require the State Board of Education (SBOE) to set aside 50 percent of the distribution from the permanent school fund (PSF) to the available school fund (ASF) to be placed in the instructional materials fund (IMF) on a biennial basis instead of an annual basis. The bill would entitle school districts to the instructional materials allotment (IMA) on a biennial basis instead of an annual basis and require IMA funding to be available in the first year of each biennium.

The bill would require the Comptroller of Public Accounts, to the extent authorized by the General Appropriations Act, to allow the Texas Education Agency (TEA) to make temporary transfers from the foundation school fund (FSF) to pay for the instructional materials allotment as needed.

The bill would take effect September 1, 2015.

Methodology

This estimate assumes TEA will make a temporary transfer from the FSF to the IMF in the amount of approximately \$1.1 billion at the beginning of fiscal year 2016 and that approximately \$1.1 billion from the IMF will be sent to school districts in a biennial IMA in September 2015.

Based on information provided by the Comptroller of Public Accounts, there would be a \$4.2 million loss of expected interest earnings to the FSF in the first year of each biennium based on a 0.8 percent projected rate of return on the FSF. This estimate assumes that the temporary transfer would be totally repaid to the FSF early in the second year of each biennium and there would be no loss of interest earnings in the second year of the biennium. The estimate further assumes the temporary transfer amount and repayment pattern would be the same in future biennia.

To the extent that a temporary transfer from the FSF to the IMF was not allowed and the TEA was required to transfer funds from the PSF, losses would vary due to the loss of expected investment returns.

Local Government Impact

The bill would make funding available earlier in the school year to school districts and open-enrollment charter schools to purchase instructional materials and may prevent districts from borrowing from local funds to pay for these materials.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: UP, AW, JBi, AM, SD