

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 24, 2015

TO: Honorable Jimmie Don Aycock, Chair, House Committee on Public 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 for public schools to use to purchase instructional materials.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1474, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

However, the bill would result in an estimated revenue loss of (\$36,700,000) to the Permanent School Fund in each fiscal year.

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	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from Permanent School Fund
	44
2016	(\$36,700,000)
2017	(\$36,700,000)
2018	(\$36,700,000)
2019	(\$36,700,000)
2020	(\$36,700,000)

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 require the total distribution for the biennium to be placed in the IMF within 30 days of the beginning date of the first year in the biennium.

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

The bill would take effect September 1, 2015.

Methodology

The PSF is actively managed and invested, while the IMF is not. Based on information provided by the Texas Education Agency and the Comptroller of Public Accounts, changing the distribution method from the current monthly distribution of equal installments to a larger distribution in the first year of each biennium is anticipated to result in an estimated loss of \$36.7 million each fiscal year due to the loss of expected investment returns.

This analysis assumes an anticipated revenue loss based on a 6.64 percent projected rate of return on PSF investments and a 3.50 percent SBOE adopted PSF transfer rate. To the extent that these rates change, losses may vary.

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, JBi, AM, AW, SD