

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

August 6, 2017

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HJR53** by Huberty (Proposing a constitutional amendment transferring certain surplus state revenue in the economic stabilization fund and dedicating that revenue to public education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR53, As Introduced: a positive impact of \$996,568,631 through the biennium ending August 31, 2019.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$114,369)
2019	\$996,683,000
2020	\$956,860,040
2021	\$1,023,407,607
2022	\$1,093,161,435

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Economic Stabilization Fund 599	Probable Revenue Gain from Foundation School Fund 193	Probable (Cost) from Foundation School Fund 193	Probable Savings from General Revenue Fund 1
2018	\$0	\$0	\$0	\$0
2019	(\$1,011,460,113)	\$996,683,000	(\$996,683,000)	\$996,683,000
2020	(\$1,239,542,708)	\$956,860,040	(\$956,860,040)	\$956,860,040
2021	(\$1,348,898,048)	\$1,023,407,607	(\$1,023,407,607)	\$1,023,407,607
2022	(\$1,383,024,523)	\$1,093,161,435	(\$1,093,161,435)	\$1,093,161,435

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2018	(\$114,369)
2019	\$0
2020	\$0
2021	\$0
2022	\$0

Fiscal Analysis

The resolution would amend Section 49-g, Article III, of the Texas Constitution, to transfer certain state revenue in the Economic Stabilization Fund (ESF) to the Foundation School Fund (FSF) and dedicating that revenue to public education.

The amendment would add new Subsection (j-1) to require the Comptroller of Public Accounts (CPA) to determine on the 91st day of each state fiscal year (FY) the total unencumbered balance of the ESF. If the unencumbered balance exceeds \$10 billion, the CPA would immediately transfer the amount in excess of \$10 billion from the ESF to the credit of the Foundation School account in the General Revenue Fund. Money transferred under this subsection may be appropriated only to provide for the support and maintenance of an efficient system of public free schools. The amendment's provisions would take effect in FY 2019.

This proposed constitutional amendment would be submitted to the voters at the election to be held November 7, 2017.

Methodology

This analysis is based on the CPA's July 2017 revenue estimate and assumes the ESF balance on the 91st day of FY 2019 would be equal to its unencumbered balance. This ESF balance is estimated to be \$10,996,683,000. Based on the constitutional amendment's provisions, \$996,683,000 would be transferred to the Foundation School Fund in FY 2019. The losses to ESF, indicated in the table above, in 2019 and beyond also represent losses of interest and investment earnings on the ESF's cash and invested balances.

Estimated transfers after the 2018-19 biennium will depend on the actions of future Legislatures, which are unknown. The above tables assume no further appropriations are made from the ESF. If future Legislatures make appropriations that bring the fund balance below \$10 billion, the gains to the FSF will be reduced or eliminated and the ESF would realize a corresponding gain.

The resolution does not make new appropriations from the FSF or alter school district entitlement under the Foundation School Program (FSP). Therefore it is assumed any new revenue transferred to the FSF as a result of the resolution would reduce the amount of General Revenue, by an equal amount, needed to fund the state's share of the FSP.

The cost to the state for publication of the resolution is \$114,369.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: UP, KK, SD