

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 17, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB855 by Capriglione (Relating to the management and investment of the economic stabilization fund, including the determination of a sufficient balance within the economic stabilization fund.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB855, As Engrossed: an impact of \$0 through the biennium ending August 31, 2019.

However, there will be a gain of \$284,725,000 to the Economic Stabilization Fund during the 2018-19 biennium.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from Economic Stabilization Fund 599
2018	\$89,396,000
2019	\$195,329,000
2020	\$249,581,000
2021	\$292,997,000
2022	\$352,115,000

Fiscal Analysis

The bill would amend Chapters 316 and 404 of the Government Code, regarding the management and investment of the Economic Stabilization Fund (ESF), including the determination of a sufficient balance within the ESF.

The bill would add new Sections 404.0242 and 404.0243 to Subchapter C (state depositories and investment of state funds) to provide guidance for the management and investment of the ESF. The Comptroller would create the Texas Stabilization Account (TSA) and Texas Legacy Account (TLA) within the ESF. The bill would outline the investment objectives and purposes of those ESF accounts. The provisions of Section 404.024 would not apply to the investment of the assets in those ESF accounts.

The bill would add Section 404.074 to Subchapter E (general duties) to set a sufficient balance of the TSA equal to 7 percent of the certified general revenue-related appropriations for the state fiscal biennium during which the determination is made.

The bill would make conforming changes to Sections 316.093(a), (b) and (f) relating to the determination of a sufficient balance within the ESF.

The bill would repeal Sections 316.091 (definition), 316.092 (determination of sufficient fund balance), 316.093(c) (adjustment of constitutional allocations to fund and State Highway Fund), and 404.0241(a), (b) and (d) (investment of certain ESF balances).

The bill would take effect September 1, 2017.

Methodology

The *2018-19 Biennial Revenue Estimate* estimates the ESF balance on September 1, 2017 at \$10.254 billion. The bill's provisions would provide that this balance would be divided into two new ESF accounts, together comprising the fund's entire balance: the amount equal to the sufficient balance of the ESF would be allocated to the TSA and the remainder to the TLA.

This bill establishes a sufficient balance for the TSA for 2018-19 as 7 percent (and all biennia subsequent to 2018-19) of certified general revenue-related spending. For the purpose of this analysis, it is assumed that in 2018-19 certified general revenue-related spending will be equal to estimated 2018-19 general revenue-related revenue of \$104.87 billion. Therefore, with the respect to the two new accounts with the overall ESF balance, the sufficient balance of the TSA for 2018-19 is estimated as \$7,340,965,000; the initial balance of the TLA would be the remaining \$2,913,218,000. For subsequent biennia, GRR spending growth is based on average growth across recent biennia. As a result, the TSA sufficient balance is estimated to be \$7.79 billion for 2020-21 and \$8.27 billion for 2022-23.

This analysis assumes no transfer of unencumbered General Revenue Fund balances to any of the ESF accounts.

Projected investment income and earnings for the TSA and the TLA of the ESF represents estimates of change in fair value.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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