

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 2, 2017

TO: Honorable J. M. Lozano, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HJR110 by Alvarado (Proposing a constitutional amendment to establish permanent funds for the support of state institutions and agencies of higher education that do not participate in funding from the permanent university fund.), **As Introduced**

The fiscal implication to the State cannot be determined, other than the cost of publication.

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

The resolution would result in a significant negative fiscal impact, in the indeterminable future, of Available University Fund annual distributions (Other Funds) to The University of Texas System and the Texas A&M University System. The resolution's establishment of additional permanent and available university funds could have a significant positive fiscal impact, in the indeterminable future, of annual distributions to the state systems and institutions of higher education that would benefit from the resolution.

The resolution would amend the Texas Constitution to establish additional permanent and available university funds to support higher education systems and institutions of higher education (IHEs) that do not receive funding from the Permanent University Fund (PUF) and Available University Fund (AUF).

The resolution would establish the PUF II and AUF II to support the University of Houston System and the Texas Tech University System and the IHEs within those systems. The PUF II would be managed by the boards of regents of the two systems, acting jointly. The regents could designate an entity to manage the funds or, if they did not, the Comptroller would manage the fund at the direction of the regents.

The PUF II would be a trust fund outside the treasury that would consist of money transferred from the PUF, as well as any other funds transferred or deposited to the credit of the fund by the Legislature, and any increase in value or applicable income from the fund's assets. Under the resolution's provisions, at the end of the 2018-19 biennium, the Comptroller would transfer from the PUF to the PUF II, 99 percent of any excess difference between the value of the PUF at the end of the 2016-17 biennium plus distributions during that biennium, and the value of the PUF at the end of the 2018-19 biennium plus distributions during that biennium. For each subsequent biennium, the Comptroller would continue the fund value determinations and make similar fund transfers of the excess difference as compared to value, plus distributions, of the PUF as of August 31, 2017.

The AUF II would consist of distributions of total return on applicable PUF II assets as determined

by the boards of regents of the University of Houston and Texas Tech University systems, but not to exceed seven percent of the average net fair market value of the PUF II investment assets. No distributions could be made to the AUF II until the biennium after the total value of the PUF II, plus distributions, equals or exceeds the total value, plus distributions, of the PUF as of August 31, 2017.

The resolution would authorize the board of regents of the University of Houston and Texas Tech University systems to issue bonds and notes not to exceed a total amount of 15 percent of the cost value of the investments and other assets of the PUF II at the time any bond or note is issued. The bonds or notes could be used for acquiring land; constructing or equipping buildings or other permanent improvements; major repairs and rehabilitation of buildings; and acquiring capital equipment and library books and materials. Proceeds of bonds or notes could not be used for student housing, intercollegiate athletics, or auxiliary enterprises. All bonds and notes issued under the resolution's provisions would be subject to approval by the Attorney General.

The resolution would also establish the PUF III to provide a permanent source of funding for the maintenance and support of those IHEs that do not benefit from the PUF or PUF II. Once the funding between the PUF and PUF II are equalized, transfers would be made to the PUF III from those two funds until such time as the assets are equalized. No PUF III distributions could be made to the AUF III until the biennium after the total value, plus distributions, of the PUF III equals or exceeds the total value, plus distributions, of the PUF as of August 31, 2017.

The state systems and IHEs that would receive funds from the AUF II or AUF III, would be restricted by the resolution from receiving General Revenue Funds for acquiring land, constructing or equipping buildings or other permanent improvements, or for major repair and rehabilitation of buildings, unless as provided for by the resolution's exceptions.

The resolution and proposed constitutional amendment would be submitted to voters at an election to be held on November 7, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 352 Bond Review Board, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 710 Texas A&M University System Administrative and General Offices

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