

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 23, 2019

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

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: HJR42 by Metcalf (Proposing a constitutional amendment for the creation of an endowment fund for this state and for the retention, transfer, or appropriation of fund assets, including investment earnings received on fund assets.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR42, As Introduced: a positive impact of \$1,713,711 through the biennium ending August 31, 2021.

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
2020	(\$177,289)
2021	\$1,891,000
2022	\$2,232,000
2023	\$2,366,000
2024	\$2,447,000

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Economic Stabilization</i> <i>Fund</i> 599	Probable Revenue (Loss) from <i>Economic Stabilization</i> <i>Fund</i> 599	Probable Savings from <i>Endowment Fund</i>	Probable Revenue Gain from <i>Endowment Fund</i>
2020	(\$1,000,000,000)	(\$35,696,000)	\$1,000,000,000	\$18,907,000
2021	\$0	(\$51,480,000)	\$0	\$23,840,000
2022	\$0	(\$52,781,000)	\$0	\$24,095,000
2023	\$0	(\$54,116,000)	\$0	\$24,569,000
2024	\$0	(\$55,485,000)	\$0	\$25,153,000

Fiscal Year	Probable Revenue Gain from General Revenue Fund 1	Probable Savings/(Cost) from General Revenue Fund 1
2020	\$0	(\$177,289)
2021	\$1,891,000	\$0
2022	\$2,232,000	\$0
2023	\$2,366,000	\$0
2024	\$2,447,000	\$0

Fiscal Analysis

The joint resolution would propose a constitutional amendment for the creation of an endowment fund for this state, and for the retention, transfer, or appropriation of fund assets, including investments.

The joint resolution would add Section 49-g-1 to Article III of the Texas Constitution to create the endowment fund (EF). The EF would be a special fund in the state treasury outside the general revenue fund.

The EF would consist of money deposited or transferred to the credit of the fund and investment earnings received on fund assets. The Comptroller would invest EF assets separately from the assets of other funds in compliance with the requirements prescribed in the resolution. In fiscal 2020 and in each subsequent year through fiscal 2030, the Comptroller would be required to transfer an amount equal to 10 percent of investment earnings on EF assets to the credit of the General Revenue Fund (GR). In fiscal 2030 and in each subsequent year through fiscal 2040, the Comptroller would be required to transfer an amount equal to 15 percent of the investment earnings on EF assets to the credit of GR and 5 percent to the credit of the Economic Stabilization Fund (ESF). In fiscal 2040 and in each subsequent fiscal year, the Comptroller would be required to transfer an amount equal to 25 percent of the investment earnings on EF assets to the credit of GR, 5 percent to the credit of the ESF, and 10 percent to the Foundation School account.

The Legislature, by a two-thirds vote of the members of each house, could appropriate money from the EF at any time for any purpose.

The resolution would require the Comptroller to transfer \$1 billion from the ESF to the EF.

This joint resolution would be submitted to the voters at an election to be held November 5, 2019.

Methodology

This analysis is based on the *2020-21 Biennial Revenue Estimate* and on the assumption that the corpus of the EF can be appropriated at any given time, which could significantly diminish projected earnings. Asset allocation would then be limited to predominantly shorter duration and more liquid fixed income strategies (e.g., similar to those investments within the State Treasury pool). The fiscal impacts shown below reflect the \$1 billion fiscal 2020 transfer from the ESF to the EF. Losses to the ESF also reflect a reduction in interest earnings on the ESF cash balance. The gain to the EF in fiscal 2020 reflects interest earnings on the fund balance in the State Treasury pool, in subsequent years the amounts are net of the transfer of 10 percent of investment earnings as prescribed by this joint resolution.

The cost to the state for publication of the resolution is \$177,289.

The resolution would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD