

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 8, 2019

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

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

IN RE: **SB2440** by Taylor (Relating to the Texas school finance system, including the creation of the bicentennial education fund, the establishment of the Texas Education Investment Management Organization, and the management and investment of the permanent school fund.), **As Introduced**

Because of the uncertainty regarding future returns on investment and fund distributions, the fiscal implications of the bill cannot be determined at this time.

The bill would establish the Texas Education Investment Management Organization (TEIMO), which would be established to manage the assets of the Permanent School Fund (PSF) that are managed by the State Board of Education (SBOE) under existing law. The bill would establish the Bicentennial Education Fund (BEF), which would consist of distributions from the PSF and would support various public education initiatives. The bill would establish that the purpose of the Permanent School Fund is to maximize available revenue distributions for the education of public school students and would make various changes to the School Land Board's administration of the PSF.

The Texas Education Investment Management Organization

The TEIMO would consist of nine members appointed by the Governor serving staggered six-year terms. Five of the board members would have to have a background in investment. One member would have to be a member of the SBOE. One member would have to be a member of the School Land Board (SLB)

The Bicentennial Education Fund

The bill would establish the BEF, which would be dedicated to providing teacher merit pay and incentivizing academic improvement among historically underperforming groups. The BEF would consist of distributions from the PSF of other sources of revenue determined by the Legislature.

Provisions Affecting the School Land Board

The bill would remove real estate interests and revenue received from those sources from the purview of the SLB and the Land Commissioner. The bill would also require that all revenue generated by mineral or royalty payments be transferred to the TEIMO each month for investment in the PSF.

The bill would allow the SLB to designate funds received from the sale of real property or mineral or royalty interests set apart to the PSF for deposit in the real estate special fund to be used to acquire interests in real property, including mineral or royalty interests, for the benefit of the PSF. Money received for the sale of real property that is designated for the acquisition of real property, would have to be used for that purpose within one year of the date of sale from which the money is derived. Otherwise, money from the sale would be transferred to the TEIMO for investment in the PSF.

The bill would also change the composition of the SLB. The SLB and the TEIMO would be required to hold joint meeting each year to discuss the allocation of PSF assets and investments. The bill would also specify other various requirements for SLB governance.

Fiscal Implications

Due to uncertainty regarding the nature of future returns and the effect of the bill on distributions from the PSF to the Available School Fund (ASF), the Technology and Instructional Materials Fund (TIMF), and the BEF, the fiscal implications of the bill cannot be determined at this time.

Language in the bill specifying that the purpose of the PSF is to maximize available revenue distributions for the education of public school students as well as the additional distributions from the PSF to the BEF could have the impact of increasing distributions from the PSF. Alternately, these provisions could reduce distributions to the ASF or the TIMF.

To the extent that transfers from the Permanent School Fund to the ASF decreased so that a transfer could be made to the Bicentennial Education Fund, funding from the Foundation School Fund No. 193 would increase to cover the decrease in Available School Fund revenue available to fund the Foundation School Program. Please note that the net General Revenue impact of a decrease in the Available School Fund and an increase in the Foundation School Fund No. 193 would be zero since both accounts exist within the General Revenue Fund. The ultimate effect of the legislation on these four funds cannot be determined.

The fiscal impact of removing real estate investment authority from the SLB and requiring a monthly transfer of revenue from mineral and royalty interests to the SBOE is expected to have fiscal implications. However, the nature of that impact is unknown.

As a result of this bill, there would be a reduced need for investment management staff at the General Land Office (GLO). Due to uncertainties related to the time frame for divestment and transfer of assets to the SBOE, cost savings associated with the reduction in investment management staff at the GLO cannot be determined.

To the extent that the TEIMO is administratively attached to TEA, additional costs associated with the creation of this entity could be minimal. However, to the extent that TEIMO is established as an independent entity, there could be costs associated with establishing and staffing the new entity. However, the costs cannot be determined.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 300 Trusteed Programs Within the Office of the Governor, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 305 General

Land Office and Veterans' Land Board, 701 Texas Education Agency

LBB Staff: WP, AM, THo, SD, PBO, JSm