

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 27, 2023

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR3 by Bonnen (Proposing a constitutional amendment relating to the Texas University Fund, which provides funding to certain institutions of higher education to achieve national prominence as major research universities and drive the state economy.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR3, Conference Committee Report : a negative impact of (\$208,430,406) through the biennium ending August 31, 2025.

The above cost includes the \$204,406 cost to the state for publication of the resolution.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$204,406)
2025	(\$208,226,000)
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Texas University Fund 214	Probable (Cost) from Economic Stabilization Fund 599
2024	(\$204,406)	\$100,000,000	(\$101,704,000)
2025	(\$208,226,000)	\$102,000,000	(\$106,500,000)
2026	\$0	\$104,040,000	\$101,112,000
2027	\$0	\$106,121,000	(\$113,864,000)
2028	\$0	\$108,243,000	(\$120,214,000)

Fiscal Analysis

The resolution would propose an amendment to Article III (Legislative Department) and Article VII (Education) of the Texas Constitution.

The proposed amendment would redesignate the National Research University Fund as the Texas University Fund.

The amendment states that, for purposes of the calculation of the constitutional tax spending limit in Article

VIII, money in the fund would be dedicated by the constitution and an appropriation of money to the fund would be an appropriation of state tax revenues dedicated by the constitution.

The proposed amendment would appropriate from the Economic Stabilization Fund to the Comptroller, for deposit to the credit of the Texas University Fund, equal to the interest, dividends, and investment earnings attributable to the Economic Stabilization Fund for the preceding fiscal year. This amount could not exceed \$100.0 million in fiscal 2024, or an amount adjusted for the increase in the general price level, not to exceed two percent, thereafter.

The proposed amendment would be submitted to voters at an election to be held November 7, 2023.

Methodology

The resolution, contingent on enactment and voter approval, would provide for the appropriation from the Economic Stabilization Fund (ESF) to the TUF each fiscal year of up to \$100.0 million, or an amount adjusted for the increase in the general price index, not to exceed two percent, thereafter.

The fiscal impacts in the tables above are based on the 2024-25 Biennial Revenue Estimate (BRE) and the fiscal implications of Senate Bill 30, as engrossed, as the supplemental appropriations will materially affect the ESF balance, related reserves and transfers of severance tax revenue, and interest and investment earnings.

General Revenue Fund implications in fiscal 2025 represent an increase in the amount of reserves for severance taxes for transfer to the ESF as a result of the appropriation from the ESF for deposit to the TUF. This appropriation would decrease the ESF balance and result in a larger transfer to the ESF in fiscal 2026 than assumed in the BRE as adjusted for the effects of SB 30 on the ESF balance.

Implications to the ESF represent the net difference between appropriations from the ESF and increased severance taxes transferred to the fund in and consequent changes to ESF interest and investment earnings. In fiscal 2026, there is expected to be a net positive impact to the ESF due to the increased severance tax transfer, less the appropriation to TUF and associated loss of investment earnings.

This analysis only addresses implications for the TUF represented by appropriated amounts into the TUF, either from General Revenue or ESF; any interest or investment earnings on the TUF balance are not considered. The fiscal impacts associated with any uses of the fund are shown in the fiscal note for the enabling legislation (HB 1595).

Note: This legislation would create or recreate a dedicated account in the General Revenue Fund, create or recreate a fund either in, with, or outside of the Treasury, or dedicate or rededicate a 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, 781 Higher Education Coordinating Board

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