

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 9, 2023

TO: Honorable John Kuempel, Chair, House Committee on Higher Education

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR201 by Wilson (Proposing a constitutional amendment providing for the creation of the technical institution infrastructure fund and the available workforce education fund to support the capital needs of career and technical education programs offered by the Texas State Technical College System, the Lamar Institute of Technology, Lamar State College-Orange, and Lamar State College-Port Arthur.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HJR201, As Introduced : a negative impact of (\$1,500,204,406) through the biennium ending August 31, 2025.

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

Appropriations:

<i>Fiscal Year</i>	<i>Appropriation out of General Revenue Fund</i> 1
2024	\$1,500,204,406
2025	\$0

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$1,500,204,406)
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund</i> 1
2024	(\$1,500,204,406)
2025	\$0
2026	\$0
2027	\$0
2028	\$0

Fiscal Analysis

The resolution would propose an amendment to Article VII of the Texas Constitution.

The proposed amendment would establish the Technical Institution Infrastructure Fund (TIIF) and the Available Workforce Education Fund (AWEF) as special funds in the state treasury for the purpose of providing funding for certain capital projects and equipment purchases related to career and technical education programs offered by the Texas State Technical College (TSTC) System and the Lamar Institute of Technology, Lamar State College - Orange, and Lamar State College - Port Arthur.

The amendment stipulates that the TIIF would consist of money transferred or deposited to the fund and any interest or other earnings of the fund and would be administered by the TSTC System board of regents in the manner and according to the standards utilized for investment of the Permanent University Fund. The Legislature could not appropriate money from the TIIF for any purpose.

The proposed amendment would require the Texas State Technical Colleges System board, each fiscal year, to distribute from the TIIF to the AWEF an amount at least equal to the amount necessary to pay debt service on bonds and notes backed by the TIIF and determined in a manner intended to provide the AWEF with a stable and predictable stream of annual distributions. The distribution could not exceed seven percent of the average net fair market value of the investment assets of the TIIF or, if the 10-year purchasing power of the TIIF was not maintained, the amount distributed in the preceding fiscal year. Out of the annual distribution from the TIIF to the AWEF, two-thirds are appropriated to the board of regents of the Texas State Technical College System, and one-third is appropriated to the board of regents of the Texas State University System. The amendment would provide that the annual TIIF distribution appropriated to the boards that was not spent during the fiscal year would be retained by the systems and could be spent in a subsequent fiscal year.

The proposed amendment would allow the Board of Regents for the Texas State Technical Colleges System to issue bonds and notes up to 20 percent of the cost value of the investments and other assets of the TIIF, other than real estate, and to pledge the system's two-thirds interest in the AWEF to secure the debt service on the bonds and notes. The Board of Regents for the Texas State University System would be permitted to issue bonds and notes up to 10 percent of the cost value of the investments and other assets of the TIIF, other than real estate, and to pledge the system's one-third interest in the AWEF to secure the debt service on the bonds and notes. Issued bonds and notes must be used for the purpose of supporting the system administration and career and technical education programs offered by component institutions of the TSTC System and for the Lamar Institute of Technology, Lamar State College - Orange, and Lamar State College - Port Arthur. Bonds and notes could be issued only to acquire land, construct and equip buildings or make other permanent improvements, conduct major repairs and rehabilitate buildings and to make other permanent improvements, acquire capital equipment, acquire library books and materials, and refund bonds or notes. The amendment would prohibit TIIF bonds or other money appropriated from the AWEF from being used to construct, equip, repair, or rehabilitate buildings or other permanent improvements that were to be used for intercollegiate athletics or auxiliary enterprises.

The proposed amendment would direct the Comptroller, on January 1, 2024, to transfer \$1.5 billion of the unencumbered balance of the General Revenue Fund to the TIIF.

The proposed amendment would remove the TSTC System and its campuses and the Lamar Institute of Technology, Lamar State College - Orange, and Lamar State College - Port Arthur from Higher Education Fund (HEF) eligibility. The transfer of the TSTC System and the three Lamar State Colleges from HEF to TIIF, as provided by the proposed amendment, would apply with the fiscal year beginning September 1, 2025. Any HEF funds that would have been allocated to the TSTC System or the three named Lamar State Colleges as of that date would be allocated to other HEF-eligible institutions proportionally, until the Legislature or designated agency eliminated the TSTC System and the three Lamar State Colleges from the HEF allocations.

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 authorize a \$1.5 billion transfer from the General Revenue Fund to the Technical Institution Infrastructure Fund (TIIF) in fiscal year 2024.

This analysis only addresses implications for the TIIF represented by appropriated amounts into the TIIF from the General Revenue Fund and any interest or investment earnings on the TIIF fund balance are not considered.

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, 352 Bond Review Board, 719 Texas State Technical College System Administration, 758 Texas State University System, 781 Higher Education Coordinating Board

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