

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 18, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SJR81** by Birdwell (proposing a constitutional amendment providing for the creation of funds to support the capital needs of educational programs offered by the Texas State Technical College System and certain component institutions of the Texas State University System and repealing the limitation on the allocation to the Texas State Technical College System and its campuses of the annual appropriation of certain constitutionally dedicated funding for public institutions of higher education.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SJR81, Committee Report 2nd House, Substituted : 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 1</i>
2024	\$1,500,000,000
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 1</i>
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 Permanent Instruction in Manufacturing and Technical Workforce Operations Fund (permanent fund) and the Available Instruction in Manufacturing and Technical Workforce Operations Fund (available fund) as special funds in the state treasury outside of the General Revenue Fund for the purpose of providing funding for certain capital projects and equipment purchases related to educational programs offered by the Texas State Technical College (TSTC) System and certain component institutions of the Texas State University System. The permanent fund 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 Texas Comptroller of Public Accounts. Money could not be appropriated or transferred from the permanent or available funds except as provided by the amendment.

The proposed amendment would require the Comptroller, each fiscal year, to determine the amount available for distribution from the permanent fund to the available fund. The distribution must preserve the purchasing power of the assets of the permanent fund over a rolling 10-year period and may not exceed 5.5 percent of the average fair market value of the investment assets of the permanent fund.

The amendment would provide that, of the total amount of the distribution from the permanent fund to the available fund, 50 percent would be appropriated to the TSTC board of regents and 50 percent to the Texas State University System board of regents for the purposes of acquiring land, constructing and equipping buildings, major repair and rehabilitation of buildings, acquiring capital equipment, acquiring library books and materials, the payment of principal and interest due on bonds and notes issued by the board of regents to finance permanent improvements as authorized by other law, and any other purpose authorized by general law. The board of regents of the Texas State University System could use the funds only for the benefit of the Lamar Institute of Technology, Lamar State College – Orange, Lamar State College – Port Arthur, or another institution created as part of or added to the system, pursuant to a majority vote of the Legislature. Funds may not be used for the purpose of constructing, equipping, repairing, or rehabilitating buildings or other permanent improvements that are to be used for intercollegiate athletics or auxiliary enterprises.

The amendment would direct the Comptroller, on January 1, 2024, to transfer \$1.5 billion in General Revenue Funds to the comptroller of public accounts for immediate deposit to the credit of the permanent fund.

The amendment would provide that an institution, except for a component institution of the TSTC System or Texas State University System, entitled to participate in dedicated funding provided by the Higher Education Fund (HEF) or Available University Fund could not be entitled to participate in funding from the permanent or available fund. The amendment would repeal a provision limiting the allocation of the annual appropriation from HEF to the TSTC System to 2.2 percent of the total appropriation.

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 Permanent Instruction in Manufacturing and Technical Workforce Operations Fund in fiscal year 2024.

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

It is assumed there would not be administrative costs for the comptroller of public accounts.

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

LBB Staff: JMc, MOc, JSM, LLO, CFI, NV