

Chapter 731

H.B. No. 1474

AN ACT

1
2 relating to the placement of money in the state instructional
3 materials fund and payment of the instructional materials
4 allotment.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Sections 31.0211(a) and (d), Education Code, are
7 amended to read as follows:

8 (a) A school district is entitled to an [~~annual~~] allotment
9 each biennium from the state instructional materials fund for each
10 student enrolled in the district on a date during the last year of
11 the preceding biennium [~~school—year~~] specified by the
12 commissioner. The commissioner shall determine the amount of the
13 allotment per student each biennium [~~year~~] on the basis of the
14 amount of money available in the state instructional materials fund
15 to fund the allotment. An allotment under this section shall be
16 transferred from the state instructional materials fund to the
17 credit of the district's instructional materials account as
18 provided by Section 31.0212.

19 (d) Each biennium [~~year~~] a school district shall use the
20 district's allotment under this section to purchase, in the
21 following order:

22 (1) instructional materials necessary to permit the
23 district to certify that the district has instructional materials
24 that cover all elements of the essential knowledge and skills of the

1 required curriculum, other than physical education, for each grade
2 level as required by Section 28.002; and

3 (2) any other instructional materials or
4 technological equipment as determined by the district.

5 SECTION 2. Section 31.0212(a), Education Code, is amended
6 to read as follows:

7 (a) The commissioner shall maintain an instructional
8 materials account for each school district. In the first year of
9 each biennium [~~Each school year~~], the commissioner shall deposit in
10 the account for each district the amount of the district's
11 instructional materials allotment under Section 31.0211.

12 SECTION 3. Sections 31.0215(a) and (b), Education Code, are
13 amended to read as follows:

14 (a) The commissioner shall, as early as practicable during
15 each biennium [~~fiscal year~~], notify each school district and
16 open-enrollment charter school of the estimated amount to which the
17 district or charter school will be entitled under Section 31.0211
18 during the next fiscal biennium [~~year~~].

19 (b) The commissioner may allow a school district or
20 open-enrollment charter school to place an order for instructional
21 materials before the beginning of a fiscal biennium [~~year~~] and to
22 receive instructional materials before payment. The commissioner
23 shall limit the cost of an order placed under this section to 80
24 percent of the estimated amount to which a school district or
25 open-enrollment charter school is estimated to be entitled as
26 provided by Subsection (a) and shall first credit any balance in a
27 district or charter school instructional materials account to pay

1 for an order placed under this section.

2 SECTION 4. Section 43.001(d), Education Code, is amended to
3 read as follows:

4 (d) Each biennium [~~year~~] the State Board of Education shall
5 set aside an amount equal to 50 percent of the [~~annual~~] distribution
6 for that biennium [~~year~~] from the permanent school fund to the
7 available school fund as provided by Section 5(a), Article VII,
8 Texas Constitution, to be placed, subject to the General
9 Appropriations Act, in the state instructional materials fund
10 established under Section 31.021.

11 SECTION 5. Section 403.093(d), Government Code, is amended
12 to read as follows:

13 (d) The comptroller shall transfer from the general revenue
14 fund to the foundation school fund an amount of money necessary to
15 fund the foundation school program as provided by Chapter 42,
16 Education Code. The comptroller shall make the transfers in
17 installments as necessary to comply with Section 42.259, Education
18 Code, and permit the Texas Education Agency, to the extent
19 authorized by the General Appropriations Act, to make temporary
20 transfers from the foundation school fund for payment of the
21 instructional materials allotment under Section 31.0211, Education
22 Code. Unless an earlier date is necessary for purposes of temporary
23 transfers for payment of the instructional materials allotment, an
24 [~~An~~] installment must be made not earlier than two days before the
25 date an installment to school districts is required by Section
26 42.259, Education Code, and must not exceed the amount necessary
27 for that payment and any temporary transfers for payment of the

1 instructional materials allotment.

2 SECTION 6. This Act takes effect September 1, 2015.

Paul Leach
President of the Senate

Joe Straus
Speaker of the House

I certify that H.B. No. 1474 was passed by the House on May 5, 2015, by the following vote: Yeas 140, Nays 4, 2 present, not voting.

Robert Haney
Chief Clerk of the House

I certify that H.B. No. 1474 was passed by the Senate on May 24, 2015, by the following vote: Yeas 30, Nays 0.

Patsy Spaw
Secretary of the Senate

APPROVED: 4-13-2015
Date

Brian Abbott
Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
4:09 pm O'CLOCK
JUN 17 2015
Quill
Secretary of State

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 16, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1474 by VanDeaver (Relating to the placement of money in the state instructional materials fund and payment of the instructional materials allotment.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1474, As Engrossed: a negative impact of (\$4,200,000) through the biennium ending August 31, 2017.

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
2016	(\$4,200,000)
2017	\$0
2018	(\$4,200,000)
2019	\$0
2020	(\$4,200,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2016	(\$4,200,000)
2017	\$0
2018	(\$4,200,000)
2019	\$0
2020	(\$4,200,000)

Fiscal Analysis

The bill would require the State Board of Education (SBOE) to set aside 50 percent of the distribution from the permanent school fund (PSF) to the available school fund (ASF) to be placed in the instructional materials fund (IMF) on a biennial basis instead of an annual basis. The bill would entitle school districts to the instructional materials allotment (IMA) on a biennial basis instead of an annual basis and require IMA funding to be available in the first year of each biennium.

The bill would require the Comptroller of Public Accounts, to the extent authorized by the General Appropriations Act, to allow the Texas Education Agency (TEA) to make temporary transfers from the foundation school fund (FSF) to pay for the instructional materials allotment as needed.

The bill would take effect September 1, 2015.

Methodology

This estimate assumes TEA will make a temporary transfer from the FSF to the IMF in the amount of approximately \$1.1 billion at the beginning of fiscal year 2016 and that approximately \$1.1 billion from the IMF will be sent to school districts in a biennial IMA in September 2015.

Based on information provided by the Comptroller of Public Accounts, there would be a \$4.2 million loss of expected interest earnings to the FSF in the first year of each biennium based on a 0.8 percent projected rate of return on the FSF. This estimate assumes that the temporary transfer would be totally repaid to the FSF early in the second year of each biennium and there would be no loss of interest earnings in the second year of the biennium. The estimate further assumes the temporary transfer amount and repayment pattern would be the same in future biennia.

To the extent that a temporary transfer from the FSF to the IMF was not allowed and the TEA was required to transfer funds from the PSF, losses would vary due to the loss of expected investment returns.

Local Government Impact

The bill would make funding available earlier in the school year to school districts and open-enrollment charter schools to purchase instructional materials and may prevent districts from borrowing from local funds to pay for these materials.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: UP, AW, JBi, AM, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 23, 2015

TO: Honorable Jimmie Don Aycock, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1474 by VanDeaver (relating to the placement of money in the state instructional materials fund and payment of the instructional materials allotment.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1474, Committee Report 1st House, Substituted: a negative impact of (\$4,200,000) through the biennium ending August 31, 2017.

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
2016	(\$4,200,000)
2017	\$0
2018	(\$4,200,000)
2019	\$0
2020	(\$4,200,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2016	(\$4,200,000)
2017	\$0
2018	(\$4,200,000)
2019	\$0
2020	(\$4,200,000)

Fiscal Analysis

The bill would require the State Board of Education (SBOE) to set aside 50 percent of the distribution from the permanent school fund (PSF) to the available school fund (ASF) to be placed in the instructional materials fund (IMF) on a biennial basis instead of an annual basis. The bill would entitle school districts to the instructional materials allotment (IMA) on a biennial basis instead of an annual basis and require IMA funding to be available in the first year of each biennium.

The bill would require the Comptroller of Public Accounts, to the extent authorized by the General Appropriations Act, to allow the Texas Education Agency (TEA) to make temporary transfers from the foundation school fund (FSF) to pay for the instructional materials allotment as needed.

The bill would take effect September 1, 2015.

Methodology

This estimate assumes TEA will make a temporary transfer from the FSF to the IMF in the amount of approximately \$1.1 billion at the beginning of fiscal year 2016 and that approximately \$1.1 billion from the IMF will be sent to school districts in a biennial IMA in September 2015.

Based on information provided by the Comptroller of Public Accounts, there would be a \$4.2 million loss of expected interest earnings to the FSF in the first year of each biennium based on a 0.8 percent projected rate of return on the FSF. This estimate assumes that the temporary transfer would be totally repaid to the FSF early in the second year of each biennium and there would be no loss of interest earnings in the second year of the biennium. The estimate further assumes the temporary transfer amount and repayment pattern would be the same in future biennia.

To the extent that a temporary transfer from the FSF to the IMF was not allowed and the TEA was required to transfer funds from the PSF, losses would vary due to the loss of expected investment returns.

Local Government Impact

The bill would make funding available earlier in the school year to school districts and open-enrollment charter schools to purchase instructional materials and may prevent districts from borrowing from local funds to pay for these materials.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: UP, AW, JBi, AM, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 24, 2015

TO: Honorable Jimmie Don Aycocock, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1474 by VanDeaver (Relating to the placement of money in the state instructional materials fund for public schools to use to purchase instructional materials.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1474, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

However, the bill would result in an estimated revenue loss of (\$36,700,000) to the Permanent School Fund in each fiscal year.

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
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from Permanent School Fund
	44
2016	(\$36,700,000)
2017	(\$36,700,000)
2018	(\$36,700,000)
2019	(\$36,700,000)
2020	(\$36,700,000)

Fiscal Analysis

The bill would require the State Board of Education (SBOE) to set aside 50 percent of the distribution from the permanent school fund (PSF) to the available school fund (ASF) to be placed in the instructional materials fund (IMF) on a biennial basis instead of an annual basis.

The bill would require the total distribution for the biennium to be placed in the IMF within 30 days of the beginning date of the first year in the biennium.

The bill would require the Comptroller of Public Accounts to allow the Texas Education Agency (TEA) to make temporary transfers from the foundation school fund to pay for the instructional materials allotment as needed.

The bill would take effect September 1, 2015.

Methodology

The PSF is actively managed and invested, while the IMF is not. Based on information provided by the Texas Education Agency and the Comptroller of Public Accounts, changing the distribution method from the current monthly distribution of equal installments to a larger distribution in the first year of each biennium is anticipated to result in an estimated loss of \$36.7 million each fiscal year due to the loss of expected investment returns.

This analysis assumes an anticipated revenue loss based on a 6.64 percent projected rate of return on PSF investments and a 3.50 percent SBOE adopted PSF transfer rate. To the extent that these rates change, losses may vary.

Local Government Impact

The bill would make funding available earlier in the school year to school districts and open-enrollment charter schools to purchase instructional materials and may prevent districts from borrowing from local funds to pay for these materials.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: UP, JBi, AM, AW, SD