

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATURE 3rd CALLED SESSION -2003

October 10, 2003

TO: Honorable David Dewhurst, Lieutenant Governor, Senate
Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB28** by McCall (Relating to state and local government fiscal management, including various matters related to increasing administrative efficiency in state government; making related appropriations.), **Conference Committee Report**

Estimated Two -year Net Impact to General Revenue Related Funds for HB28, Conference Committee Report: a negative impact of (\$73,946,091) through the biennium ending August 31, 2005.

The bill would make an appropriation.

Appropriations:

Fiscal Year	Appropriation out of <i>GENERAL REVENUE FUND</i> 1	Appropriation out of <i>TELECOMMUNICATIONS INFRASTRUCTURE FUND</i> 345	Appropriation out of <i>TEXAS EMISSIONS REDUCTION PLAN</i> 5071	Appropriation out of <i>OVERSIGHT WORKERS' COMP</i> 5016
2004	\$66,210,034	\$2,086,025	\$3,062,248	\$64,632
2005	\$0	\$0	\$0	\$0

General Revenue -Related Funds, Five -Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$69,805,541)
2005	(\$4,140,550)
2006	(\$4,143,438)
2007	(\$4,141,450)
2008	(\$4,139,588)

All Funds, Five -Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain from <i>DEPT INS OPERATING ACCT</i> 36	Probable (Cost) from <i>TELECOMMUNICATIONS INFRASTRUCTURE FUND</i> 345	Probable (Cost) from <i>TEXAS EMISSIONS REDUCTION PLAN</i> 5071
2004	(\$69,805,541)	\$2,586,570	(\$2,086,025)	(\$3,062,248)
2005	(\$4,140,550)	\$0	\$0	\$0
2006	(\$4,143,438)	\$0	\$0	\$0
2007	(\$4,141,450)	\$0	\$0	\$0
2008	(\$4,139,588)	\$0	\$0	\$0

Fiscal Year	Probable (Cost) from OVERSIGHT WORKERS' COMP 5016
2004	(\$2,651,202)
2005	\$0
2006	\$0
2007	\$0
2008	\$0

Fiscal Analysis

Article 1 would establish a Workers' Compensation Research program at the Texas Department of Insurance (TDI). The Research and Oversight Council on Workers' Compensation is abolished and its property and references in law are transferred to TDI. The balance of the Research and Oversight Council on Workers' Compensation Account 5016 is transferred to the Texas Department of Insurance Account 36.

Article 3 would add a provision affecting the 2002 property value study to provide for state values to be used in situations where the local value is determined to be invalid and the local value exceeds the state value. The amendment would also repeal Section 403.302(m), Government Code as added by the Seventy-eighth Legislature, Regular Session, which provided for redistribution of state aid for 2003-2004 lost due to recognition of higher local values for the 2002 property value study.

Article 4 would appropriate to the Comptroller of Public Accounts, from the General Revenue Fund, the amount necessary to return any available cash that was transferred to the General Revenue Fund from a fund outside the State Treasury, and to maintain the equity of the fund from which the transfer of available cash was made. The bill would limit the appropriation for paying interest on the transferred funds to \$5 million and would require that repayment of transferred revenue be made within fourteen days of the date the transfer occurred.

Article 5 would also appropriate to the Comptroller of Public Accounts an amount equal to the amount of appropriations from General Revenue and General Revenue -Dedicated accounts vetoed by the governor in House Bill 1, Seventy-eighth Legislature, Regular Session. The bill would amend Article IX, Section 11.28(a) of House Bill 1 to remove the reference to implementation of Article IX, Section 11.15, Contingency Appropriation Reduction and Contingency Appropriation, and add language to make the funds appropriated as currently directed by the governor and Legislative Budget Board under Chapter 317 Government Code.

Article 10 would authorize the issuance of a maximum of \$45 million in revenue bonds for the Texas Tech University Health Science Center for facilities and infrastructure to be used primarily for an academic building to support the center's educational programs in the city of El Paso.

Article 11 would authorize the issuance of a maximum of \$3,510,000 in revenue bonds by Texas Southern University for the purpose of restoring facilities and related infrastructure damaged in Tropical Storm Allison.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature.

Methodology

The workers' compensation research would result in additional costs of \$832,396 each year. Should appropriation authority be granted, TDI is authorized to increase maintenance taxes to fund the research activities, resulting in a net fiscal impact of zero. Further, \$2,586,570 is transferred to TDI from GR Account 5016 to GR Account 36 for the purposes of conducting workers' compensation research (this is the balance of Account 5016 as of August 31, 2003). This amount would be available to TDI should appropriation authority be granted. However, in the absence of such authority, TDI indicates that they would absorb the research responsibilities within their existing budget without an increase in FTEs.

The provision related to the property value study and redistribution of Foundation School aid among districts would have no net fiscal impact on the state.

For purposes of this estimate, it was assumed that no borrowing from outside the treasury would be necessary in the 2004 -05 biennium. The amount of the vetoed appropriations in House Bill 1 that would be appropriated to the Comptroller of Public Accounts in fiscal year 2004 is \$66,210,034 from the General Revenue account and \$5,212,905 from General Revenue -Dedicated accounts, which includes the Telecommunications Infrastructure Fund, the Texas Emissions Reduction Plan account, and the Research and Oversight Counsel on Workers' Compensation account.

The bonds authorized in Article 10 and Article 11 would be payable from pledged revenue plus tuition and would not be general obligation to the State. However, the issuance of these bonds would have fiscal implications for the State. Although tuition income is pledged against the bonds, historically the Legislature has appropriated General Revenue to reimburse institutions of higher education for tuition to pay the debt service and, likely, this policy would continue.

The Texas Public Finance Authority assumed the bonds for the Texas Tech University Health Science Center would be issued during fiscal year 2004 at a 5.75 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas Public Finance Authority, debt service payments (principal and interest) would be \$3,531,875 in fiscal year 2004 and \$3,850,800 in fiscal year 2005, as shown in the above table. (If debt service payments were for interest only, the estimated costs would be \$2,371,875 in fiscal year 2004 and \$2,520,800 in fiscal year 2005.) No amounts are included for operations and maintenance costs related to additional facilities. Operations and maintenance costs are provided to institutions of higher education based on predicted square feet not actual square feet. However, if the increased space resulted in an increase in predicted square feet, operations and maintenance cost would increase.

It is assumed the Texas Southern University bonds would be issued January 2, 2004 at a 5.50 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas Public Finance Authority, the amount of debt service payments would be \$63,632 for fiscal year 2004 and \$289,750, as shown in the above table. (If debt service payments were for interest only, the costs would be \$63,632 in fiscal year 2004 and \$189,750 in fiscal year 2005) The total amount estimated amount of debt service from fiscal year 2004 to fiscal year 2024 is estimated at \$5,831,282.

Local Government Impact

The provisions related to the property value study would shift approximately \$3.8 million in revenue among school districts.

Source Agencies: 304 Comptroller of Public Accounts, 347 Public Finance Authority, 405 Department of Public Safety, 501 Department of Health, 701 Central Education Agency

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