

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION
Revision 1

May 11, 2003

TO: Honorable David Swinford, Chair, House Committee on Government Reform

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2 by Swinford (Relating to the reorganization of, efficiency in, and other reform measures applying to state government.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2, Committee Report 1st House, Substituted: a positive impact of \$240,341,090 through the biennium ending August 31, 2005.

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
2004	\$112,150,751
2005	\$128,190,339
2006	\$136,544,530
2007	\$149,629,569
2008	\$160,071,569

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>FOUNDATION SCHOOL FUND</i> 193	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND</i> 193
2004	\$94,619,988	\$15,498,763	\$599,000	\$0
2005	\$101,193,533	\$15,016,806	\$599,000	\$8,515,000
2006	\$96,681,124	\$13,529,406	\$599,000	\$22,869,000
2007	\$96,682,763	\$10,844,806	\$599,000	\$38,637,000
2008	\$98,307,763	\$2,369,806	\$599,000	\$55,929,000

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GR MATCH FOR MEDICAID</i> 758	Probable Savings/ (Cost) from <i>STATE HIGHWAY FUND</i> 6	Probable Revenue Gain/(Loss) from <i>DEPT INS OPERATING ACCT</i> 36	Probable Savings/ (Cost) from <i>DEPT INS OPERATING ACCT</i> 36
2004	\$1,433,000	\$24,300,000	\$2,228,071	(\$2,228,071)
2005	\$2,866,000	\$48,600,000	\$2,053,212	(\$2,053,212)
2006	\$2,866,000	\$50,400,000	\$1,935,517	(\$1,935,517)
2007	\$2,866,000	\$55,800,000	\$1,935,517	(\$1,935,517)
2008	\$2,866,000	\$55,800,000	\$1,744,809	(\$1,744,809)

Fiscal Year	Probable Revenue Gain/(Loss) from CLEAN AIR ACCOUNT 151	Probable Savings/(Cost) from CLEAN AIR ACCOUNT 151	Probable Savings/(Cost) from WATER RESOURCE MANAGEMENT 153	Probable Savings/(Cost) from HAZARDOUS/WASTE FEE ACCT 549
2004	(\$35,980,000)	\$368,382	\$285,533	\$706,539
2005	(\$35,206,000)	\$368,382	\$285,533	\$706,539
2006	(\$34,107,000)	\$368,382	\$285,533	\$706,539
2007	(\$33,042,000)	\$368,382	\$285,533	\$706,539
2008	(\$32,010,000)	\$368,382	\$285,533	\$706,539

Fiscal Year	Probable Revenue Gain/(Loss) from New General Revenue Dedicated - Operating Permit Fee	Probable Savings/(Cost) from All General Revenue Dedicated Accounts	Probable Savings/(Cost) from All Fed Funds outside GR	Probable Savings/(Cost) from All Other Funds
2004	\$35,980,000	\$2,610,551	\$8,899,616	(\$1,661,967)
2005	\$35,206,000	\$3,998,854	\$12,151,197	(\$2,820,650)
2006	\$34,107,000	\$5,682,156	\$15,561,748	(\$605,704)
2007	\$33,042,000	\$6,776,454	\$18,797,197	\$740,550
2008	\$32,010,000	\$5,643,771	\$16,772,855	(\$1,502,426)

Fiscal Year	Change in Number of State Employees from FY 2003
2004	(960.7)
2005	(1,220.7)
2006	(1,566.5)
2007	(1,890.5)
2008	(1,893.8)

Fiscal Analysis

The bill would make certain changes to state and local government policies and operations. Those changes with a measurable fiscal impact are discussed below.

Methodology

All analysis is compared to current appropriations and law. Comparisons to the conference committee version of HB1 may yield different results.

The bill would reduce the number of members of the Higher Education Coordinating Board (HECB) to nine. General revenue savings would be an annual \$18,000. The HECB indicates the cost of the study would be \$337,792.

The bill would transfer the manufactured housing function at the Department of Housing and Community Affairs to the Department of Licensing and Regulation (TDLR). In addition, the State Board of Barber Examiners, the Cosmetology Commission, the Board of Professional Land Surveying, the Board of Plumbing Examiners, the Structural Pest Control Board, the Funeral Services Commission and the Board of Professional Geoscientists would all be abolished and their powers and duties would be transferred to TDLR. General revenue savings would be \$874,085 in fiscal 2004 and \$1,490,809 in fiscal 2005.

The bill would abolish the Office of State-Federal Relations and transfer its functions to the Governor's office. General revenue savings would be an annual \$56,035.

The bill would abolish the Commission on Private Security and transfer its functions to the Department of Public Safety. General revenue savings would be an annual \$230,000.

The bill would require the State Auditor to recommend draft rules for regional planning commissions to the Governor for approval. General revenue costs would be \$296,748 in fiscal 2004 and \$230,521

each year thereafter.

The bill would increase the fees on landscape architects, interior designers, land surveyors and property tax consultants by \$200, with \$50 allocated to the Foundation School Account and \$150 to general revenue. Gains to general revenue would be an annual \$1,796,000 and gains to the Foundation School Account would be an annual \$599,000.

The bill would require reductions of fuel use in agency vehicles using fuel saving technology. General revenue costs would be an annual \$44,204.

The bill would require the Building and Procurement Commission (TBPC) to provide facilities management services for agencies in or adjacent to Travis County, excluding higher education, prison, military, capitol, and residential facilities. The State Energy Conservation Office would be required to provide utility management services for state agency facilities. TBPC estimates general revenue savings would be an annual \$8,700,000.

The bill would abolish the Recycling Market Development Board. The fiscal implications are included in the analysis affecting the Commission on Environmental Quality below.

The bill would TBPC to develop a program for commercial use of state agency parking garages in Austin. TBPC estimates an revenue gain to general revenue of an annual \$728,091.

The bill would lower the allocation of office space per employee from 153 square feet to 135 square feet. TBPC estimates general revenue savings would be an annual \$5,757,496.

The bill would require the Legislative Budget Board (LBB) to review and approve or disapprove agency biennial operating plans and amendments not later than the 60th day after they were submitted. It would require agencies to specify how they would correct deficiencies identified by the Department of Information Resources regarding standards, provisions of the state strategic plan, or corrective action plans before agency biennial operating plans may be approved by the LBB. General revenue costs would be \$356,909 in fiscal 2004 and \$244,409 each year thereafter.

The bill would reclassify motor vehicle registrations as a state service and require agencies to advertise and promote TexasOnline services. General revenue savings would be \$72,000 in fiscal 2004 and \$144,000 each year thereafter.

The bill would require TxDOT and TBPC to create an owner controlled insurance program and require its use by state agencies and authorize its use by local governments. General revenue costs would be an annual \$200,000. The Comptroller estimates State Highway Fund 6 savings would be \$24,300,000 in fiscal 2004 and \$48,600,000 in fiscal 2005.

The bill would transfer some purchasing functions from the Attorney General and State Auditor and grant TBPC broader authority to dispose of surplus property and place the proceeds from sales in general revenue. TBPC estimates general revenue savings of \$2,773,897 in fiscal 2004 and \$2,775,442 in fiscal 2005.

The bill would reduce the number of members of the Building and Procurement Commission (TBPC) to five. General revenue savings would be an annual \$10,000.

The bill would delay contributions for new employees to their Employees Retirement System of Texas account for 90 days. General revenue savings would be \$2,837,000 in fiscal 2004 and \$3,095,000 each year thereafter; savings to GR-dedicated accounts would be \$413,639 in fiscal 2004 and \$451,185 each year thereafter; savings to federal funds would be \$739,260 in fiscal 2004 and \$806,363 each year thereafter; and savings to other funds would be \$819,101 in fiscal 2004 and \$893,452 each year thereafter.

The bill would prohibit the Employees Retirement System Board from requiring that members use mail-order drugs. General revenue costs would be \$22,500,000 in fiscal 2004 and \$27,300,000 in fiscal 2005; costs to GR-dedicated accounts would be \$3,020,488 in fiscal 2004 and \$3,670,732 in

fiscal 2005; costs to federal funds would be \$5,398,244 in fiscal 2004 and \$6,560,366 in fiscal 2005; and costs to other funds would be \$5,981,268 in fiscal 2004 and \$7,268,902 in fiscal 2005.

The bill would reduce human resources staffing in state agencies. General revenue savings would be an annual \$11,994,000; savings to GR-dedicated accounts would be an annual \$1,720,000; savings to federal funds would be an annual \$3,074,000; and savings to other funds would be an annual \$3,406,000.

The bill would require state agencies with 100 or more FTEs to reach a 1:11 manager to staff ratio by 2007. General revenue savings would be \$7,207,800 in fiscal 2004 and \$10,134,600 in fiscal 2005; savings to GR-dedicated accounts would be \$3,497,400 in fiscal 2004 and \$5,498,400 in fiscal 2005; savings to federal funds would be \$9,051,600 in fiscal 2004 and \$11,965,200 in fiscal 2005; and savings to other funds would be \$94,200 in fiscal 2004 and \$148,800 in fiscal 2005.

The bill would modify the Commission on Environmental Quality's (TCEQ) procedures for nonjudicative hearings and modify TCEQ's procedures for public participation, public notice, and executive actions on permits. Savings to Clean Air Account 151 would be an annual \$262,827; savings to Water Resource Management Account 153 would be an annual \$229,978; and savings to Waste Management Account 549 would be an annual \$275,509.

The bill would create a separate account in Fund 0001 for fees related to clean air. Fees of \$35,980,000 in fiscal 2004 and \$35,206,000 in fiscal 2005 that would have been credited to Clean Air Account 151 would be credited to this new account.

The bill would reduce the number of reports produced by TCEQ. Article 8K would eliminate requirements that various units of local government purchase alternative fuel vehicles. Together with the recycling provisions described above, savings to Clean Air Account 151 would be an annual \$105,555; savings to Water Resource Management Account 153 would be an annual \$55,555; and savings to Waste Management Account 549 would be an annual \$431,030.

The bill would change the rules that determine the date on which a demutualized insurance company proceeds become unclaimed property. Revenue gains to general revenue would be \$3,250,000 in both fiscal 2004 and 2005, but revenue losses would occur in fiscal 2006 and 2007.

The bill would require state agencies to evaluate the potential negative effect on small businesses and provide for judicial review of state agency actions. The Department of Insurance estimates costs Insurance Operating Account 36 of \$2,228,071 in fiscal 2004 and \$2,053,212 in fiscal 2005. These costs would be offset by an increase in insurance maintenance taxes.

The bill would establish the State Board on Property Valuation and transfer functions from the Comptroller to the board. Savings to Foundation School Account 193 from a requirement to mechanize the personal property appraisal process would be \$8,515,000 in fiscal 2005, and increase substantially thereafter.

The bill would establish a minimum presumptive value of used vehicles for motor vehicle sales tax purposes. The Comptroller's office estimates this will generate an annual revenue gain to general revenue of approximately \$86,000,000.

The bill would define the period after which unclaimed wages would become abandoned for the purposes of becoming state-claimed unclaimed property. Preliminary estimates of general revenue gains would be approximately \$6,500,000 per year beginning in fiscal 2005.

The bill would define and implement a state-wide public transportation plan. Savings to both the general-revenue Medicaid match and to federal funds would be \$1,433,000 in fiscal 2004 and \$2,866,000 each year thereafter.

Reductions in FTEs reflected above come primarily from the provisions regarding human resources staffing and manager/staff ratios.

Technology

Assorted technological costs and savings are reflected in the above tables and description.

Local Government Impact

The bill would require TxDOT and TBPC to create an owner controlled insurance program and require its use by state agencies and authorize its use by local governments. The bill would eliminate requirements that various units of local government purchase alternative fuel vehicles. The fiscal impact of these provisions to local governments cannot be determined.

Source Agencies: 116 Sunset Advisory Commission, 301 Office of the Governor, 302 Office of the Attorney General, 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 308 State Auditor's Office, 313 Department of Information Resources, 327 Employees Retirement System, 332 Department of Housing and Community Affairs, 333 Office of State-Federal Relations, 360 State Office of Administrative Hearings, 369 Council on Environmental Technology, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 454 Department of Insurance, 480 Texas Department of Economic Development, 582 Commission on Environmental Quality, 601 Department of Transportation, 696 Department of Criminal Justice, 701 Central Education Agency, 802 Parks and Wildlife Department, 320 Texas Workforce Commission, 529 Health and Human Services Commission, 781 Higher Education Coordinating Board

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