

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 20, 2003

TO: Honorable Teel Bivins, Chair, Senate Committee on Finance

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2425 by McCall (Relating to state and certain local fiscal matters; making an appropriation.), As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB2425, As Engrossed: a positive impact of \$14,188,000 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	\$4,787,000
2005	\$9,401,000
2006	\$23,991,000
2007	\$26,685,000
2008	\$31,709,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1	Probable Savings/ (Cost) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from AVAILABLE SCHOOL FUND 2	Probable Revenue Gain/(Loss) from FOUNDATION SCHOOL FUND 193
2004	\$7,342,000	(\$6,805,000)	\$2,292,000	\$1,958,000
2005	\$13,905,000	(\$11,004,000)	\$3,000,000	\$3,500,000
2006	\$17,047,000	(\$656,000)	\$3,600,000	\$4,000,000
2007	\$18,968,000	(\$796,000)	\$3,763,000	\$4,750,000
2008	\$22,383,000	(\$889,000)	\$4,215,000	\$6,000,000

Fiscal Year	Probable Revenue Gain/(Loss) from STATE HIGHWAY FUND 6	Probable Savings/ (Cost) from STATE HIGHWAY FUND 6	Probable Revenue Gain/(Loss) from Economic Stabilization Fund 599	Probable (Cost) from Other Funds
2004	\$6,876,000	(\$249,000)	\$0	(\$201,000)
2005	\$9,000,000	(\$264,000)	\$6,028,000	(\$214,000)
2006	\$10,080,000	(\$279,000)	\$10,981,000	(\$226,000)
2007	\$11,289,000	(\$296,000)	\$573,000	(\$240,000)
2008	\$12,645,000	(\$314,000)	\$593,000	(\$254,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>	Probable Revenue Gain/(Loss) from <i>Counties and Special District</i>
2004	\$264,000	\$97,000	\$34,000
2005	\$703,000	\$258,000	\$90,000
2006	\$908,000	\$333,000	\$116,000
2007	\$943,000	\$311,000	\$109,000
2008	\$789,000	\$289,000	\$101,000

Fiscal Analysis

The bill would amend various provision of current law relating to state fiscal matters.

Revenue gains and losses result from the following:

- Losses from a sales tax exemption for pharmaceutical biotechnology cleanrooms and equipment;
- Gains from other sales tax provisions;
- Gains from natural gas tax provisions related to high-cost gas, the treatment of cash sales and marketing costs; and
- Gains from motor fuels tax treatment of power take-off equipment;

Cost and savings result from the following:

- Savings from a provision related to interest paid under the prompt payment law;
- Costs from a provision related to vacation carry-forward for state employees; and
- The cost of an increase in the transfer to the Economic Stabilization Fund offsetting a portion of the revenue gain from a provision relating to natural gas tax.

The bill would repeal the statutory cap on borrowing related to temporary cash flow shortages in the general revenue fund. Currently the limit is twenty-five percent of revenues credited to the general revenue fund for the fiscal year. The bill would allow the Cash Management Committee to set the limit.

The bill would authorize the Comptroller to borrow certain funds managed by or in the custody of the Comptroller, including funds held outside the state treasury. The borrowing would be done in order to prevent temporary cash flow deficiencies in the general revenue fund. The bill would appropriate to the Comptroller from the general revenue fund amounts necessary to return the transferred cash and maintain the equity of funds from which transfers are made.

The bill would authorize the Comptroller to do performance audits of school districts and institutions of higher education without a request from the governing body of the school or institution.

The bill would provide insurance tax credits for certified capital companies, resulting in an aggregate revenue loss of \$200,000,000 in general revenue related funds over the period 2009-2012.

Methodology

The estimates were provided by the Comptroller of Public Accounts. These estimates were adjusted to reflect the change in Economic Stabilization Fund transfers. Set-asides for additional natural gas tax revenue resulting from the bill take place in the fiscal year prior to the transfer to the Economic Stabilization Fund. The Economic Stabilization Fund estimate includes interest gains.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

It is possible that some of the money borrowed from outside the treasury under the Comptroller's expanded authority would be local government revenue such as local government sales tax revenue. The bill appropriates general revenue to repay the borrowing in fiscal year 2003 and fiscal years 2004

and 2005. After fiscal 2005, the impact on local governments would depend on legislative appropriations to repay any amounts borrowed from local governments funds held by the Comptroller.

The bill authorizes school districts to also contract for and implement the energy performance measures contained in the bill. Any costs to school districts could possibly be offset by savings from reduced energy consumption.

Source Agencies: 304 Comptroller of Public Accounts, 212 Office of Court Administration, Texas Judicial Council, 301 Office of the Governor, 327 Employees Retirement System, 696 Department of Criminal Justice, 701 Central Education Agency, 781 Higher Education Coordinating Board

LBB Staff: JK, JO, SD, WP, RS