

**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**May 26, 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.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2425, Committee Report 2nd House, Substituted: a positive impact of \$1,019,131,000 through the biennium ending August 31, 2005.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$884,396,000
2005	\$134,735,000
2006	\$173,456,000
2007	\$185,909,000
2008	\$197,968,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Savings/ (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Revenue Gain/(Loss) from <i>AVAILABLE SCHOOL</i> <i>FUND</i> <b>2</b>	Probable Revenue Gain/(Loss) from <i>FOUNDATION</i> <i>SCHOOL FUND</i> <b>193</b>
2004	\$84,819,000	\$794,068,000	\$2,292,000	\$3,217,000
2005	\$142,039,000	(\$18,504,000)	\$3,000,000	\$8,200,000
2006	\$160,762,000	(\$656,000)	\$3,600,000	\$9,750,000
2007	\$171,942,000	(\$796,000)	\$3,763,000	\$11,000,000
2008	\$182,392,000	(\$889,000)	\$4,215,000	\$12,250,000

Fiscal Year	Probable Revenue Gain/(Loss) from <i>STATE HIGHWAY</i> <i>FUND</i> <b>6</b>	Probable Savings/ (Cost) from <i>STATE HIGHWAY</i> <i>FUND</i> <b>6</b>	Probable Revenue Gain/(Loss) from <i>Economic Stabilization</i> <i>Fund 599</i>	Probable (Cost) from <i>Other Funds</i>
2004	\$6,876,000	(\$249,000)	\$0	(\$201,000)
2005	\$9,000,000	(\$264,000)	\$5,132,000	(\$214,000)
2006	\$10,080,000	(\$279,000)	\$18,647,000	(\$226,000)
2007	\$11,289,000	(\$296,000)	\$22,555,000	(\$240,000)
2008	\$12,645,000	(\$314,000)	\$26,333,000	(\$254,000)

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from Cities</b>	<b>Probable Revenue Gain/(Loss) from Transit Authorities</b>	<b>Probable Revenue Gain/(Loss) from Counties and Special District</b>	<b>Probable Revenue Gain/(Loss) from School Districts</b>
2004	\$4,552,000	\$1,050,000	\$803,000	(\$800,000,000)
2005	\$6,651,000	\$1,575,000	\$1,158,000	\$0
2006	\$7,233,000	\$1,752,000	\$1,244,000	\$0
2007	\$7,448,000	\$1,796,000	\$1,285,000	\$0
2008	\$7,669,000	\$1,840,000	\$1,326,000	\$0

## **Fiscal Analysis**

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

Revenue gains and losses result from the following:

- Gains from natural gas tax provisions related to high-cost gas, the treatment of cash sales and marketing costs;
- Gains from motor fuels tax treatment of power take-off equipment;
- Gains from tax refund changes;
- Gains from streamlined sales tax project simplification;
- Gains from extending the franchise tax to certain corporate partners;
- Gains from eliminating custom broker documents as proof that goods were shipped out of the country;
- Gains from other sales tax enforcement provisions; and
- Gains from treatment of the insurance tax liability of unauthorized insurers.

Cost and savings result from the following:

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

In addition to the above, the bill would also do the following:

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.

The bill would allow the Prepaid Higher Education Tuition Board, on request of the Comptroller, to suspend new enrollment in the Prepaid Higher Education Tuition Program to ensure actuarial soundness of the program. The bill would require a university to accept as payment in full for tuition and required fees the lesser of the amount of tuition and required fees charged by the institution or an amount equal to the weighted average amount of tuition and required fees of all public senior colleges and universities.

The bill would exempt certain pharmaceutical biotechnology cleanroom equipment from the sales tax.

The bill would amend Article 4.73(a) of the Insurance Code, concerning a report to be completed by

the Comptroller on implementation of Subchapter B of Chapter 4, relating to the CAPCO program, to change a date from January 1, 2004 to January 1, 2006. The bill would repeal Article 4.74 of the Insurance Code to remove the requirement that the Comptroller certify the availability of sufficient revenues before implementation of Subchapter B.

### **Methodology**

The estimates were provided by the Comptroller of Public Accounts.

The fiscal impact from the expansion of the franchise tax is estimated to be \$50.9 million in fiscal 2004 and \$64.5 million in fiscal 2005, increasing to \$95.9 million by fiscal 2008.

The savings to general revenue from delaying the final payment to school districts each fiscal year is \$800.0 million in fiscal 2004.

The gains to general revenue reflect dynamic tax feedback effects created by increase in tax burdens. The Economic Stabilization Fund estimate includes interest gains.

### **Local Government Impact**

The loss to school district results from the delay of the final foundation school payment each fiscal year. The payments are currently made in late August. Under provisions of the bill, the payments would be made in early September.

**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

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