

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**April 23, 2003**

**TO:** Honorable Ron Wilson, Chair, House Committee on Ways & Means

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB2770** by Isett (Relating to unexpected cash balances of the general revenue account.), **As Introduced**

**No fiscal implication to the State is anticipated in the 2004-05 biennium.** The impact in later biennia would depend on actual or estimated biennia-ending general revenue cash balances.

The bill would require the Comptroller to estimate the biennial ending general revenue balance and exclude the estimated cash balance of the general revenue account from the amount available for appropriation in the subsequent biennium.

If the estimated cash balance is positive, the bill would require the transfer from the general revenue account of an amount equal to the lesser of the actual general revenue account biennial balance and the estimated general revenue account balance. The revenue would be transferred to either the Economic Stabilization Fund or the Returning the Favor Fund which would be created by the bill. Until the Economic Stabilization Fund reaches its constitutional cap, half of the amount described above would be transferred to each of the two funds.

Revenue in the Returning the Favor Fund would be used to provide additional clothing sales tax holidays in November and/or December. The dates and duration of the November/December holidays would be set by the Comptroller so that the estimated annual revenue loss from the additional sales tax holidays would not exceed one-half the amount deposited to the Returning the Favor Fund in that biennium. The general revenue account would be reimbursed from the Returning the Favor Fund the lesser of the estimated decrease in sales taxes caused by the additional sales tax holidays and one-half of the amount transferred to the Returning the Favor Fund. Excess revenue remaining in the Returning the Favor Fund after the reimbursement of the general revenue fund would be transferred to the Economic Stabilization Fund unless the Economic Stabilization Fund is at its constitutional cap. If the Economic Stabilization Fund is at the constitutional cap, the excess amount in the Returning the Favor Fund would be returned to the general revenue fund.

Under the current constitutional provision relating to the Economic Stabilization Fund, an amount equal one-half of any unencumbered general revenue biennial balance is be transferred to the Economic Stabilization Fund. Unlike the constitutionally required transfer to the Economic Stabilization Fund, the transfer of funds mandated by the bill would be based on the general revenue account cash balance, which includes both encumbered and unencumbered balances.

For the purpose of illustration, had the provisions of the bill been in place at the beginning of the 2002-03 biennium, approximately \$777 million would have been transferred to the Economic Stabilization Fund and \$777 million would have been initially transferred to the Returning the Favor Fund. The amount available for certification for the 2002-03 biennium would have been reduced by \$1.55 billion. The estimates assume that the transfers to the Economic Stabilization Fund and Returning the Favor Fund mandated by the bill would be in addition to any constitutionally required transfer.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

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