

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 7, 2005

TO: Honorable Anna Mowery, Chair, House Committee on Land & Resource Management

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB3248** by Ritter (Relating to the funding of coastal erosion response activities and the coastal management program; imposing surcharges and fees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3248, As Introduced: a negative impact of (\$7,900,000) through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Appropriations:

Fiscal Year	Appropriation out of Coastal Erosion Response Subaccount in COASTAL PROTECTION ACCT 27
2006	\$2,000,000
2007	\$0

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	(\$3,967,000)
2007	(\$3,933,000)
2008	(\$4,000,000)
2009	(\$4,000,000)
2010	(\$4,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from Coastal Erosion Response Subaccount in COASTAL PROTECTION ACCT 27	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2006	\$47,269,000	(\$3,967,000)
2007	\$52,327,000	(\$3,933,000)
2008	\$53,004,000	(\$4,000,000)
2009	\$54,986,000	(\$4,000,000)
2010	\$56,477,000	(\$4,000,000)

Fiscal Analysis

The bill would amend various sections of the Natural Resources Code to create the Coastal Erosion Response Subaccount within the General Revenue-Dedicated Coastal Protection Account No. 027 and authorize revenue in the account, up to \$32 million a biennium, to be used for coastal erosion control and coastal management programs. The bill would appropriate \$2,000,000 to the General Land Office for administrative costs for the two-year period beginning September 1, 2005.

The bill also establishes new fees and surcharges to fund the coastal erosion and coastal management programs. All revenues from fees and surcharges under this bill would be deposited to the new subaccount; and the revenues in the new subaccount would not count toward the limits imposed on General Revenue-Dedicated Coastal Protection Account No. 027. The bill would authorize a \$5 surcharge per passenger on a commercial passenger vessel traveling from a port in Texas. The bill would establish a \$10 coastal windstorm insurance premium surcharge.

The bill would establish a coastal property transaction fee. The fee would be \$50 for transactions when the property value was \$25,000 or less, and \$100 when the property transferred was valued at more than \$25,000. The bill would impose a fee on each person who uses a pipeline to import into Texas oil and gas produced from state submerged lands. The fee rate would be two cents per barrel of oil and two cents for each thousand cubic feet of natural gas. The bill would impose various fees on the purchase of marine engine lubricants (0.05 cents per gallon), marine fuels (two cents per gallon), and marine residual and distillate fuel oils (one-half of one cent per gallon). The bill would authorize a \$100 dockage fee on a commercial shipping vessel (more than 300 gross tons) each time it docked at a port facility in Texas.

The bill would establish a beach condominium rental surcharge on each rental or lease of a condominium located on a coastal property. The surcharge would be \$10 per lease or rental for overnight stays of two nights or less, and \$20 per lease or rental for overnight stays for more than two nights. The bill would re-establish a waste tire fee - \$1 for each automobile or truck tire with a rim diameter greater than 12 inches and for each motorcycle tire regardless of the rim diameter.

The bill would amend the Parks and Wildlife Code to allow donations to be made for coastal erosion response activities at the same time that a saltwater fishing stamp is sold. The bill would impose a tax rate of 7 percent, instead of 6 percent, on the price paid for a room in a hotel for hotels located in coastal counties. This additional one percent would be deposited into the new subaccount.

The bill would allocate to the new subaccount one-third of the revenue received under Section 8(g) of the Outer Continental Shelf Lands Act or any similar federal law and currently deposited to the General Revenue Fund. The bill would also allocate to the new subaccount one-third of the revenue received by the state from the Inland Waterways Trust Fund or any similar federal law. The bill would also provide that any federal wetlands restoration funding received by the state be deposited into the new subaccount.

Methodology

Based on data from the Ports of Galveston, Houston and Corpus Christi, the \$5 surcharge on commercial passenger vessels would generate approximately \$7.0 million for the 2006-07 biennium. The estimated fiscal impact of the coastal windstorm insurance surcharge, based on monthly policy data provided by Texas Windstorm Insurance Association adjusted forward at expected growth rates, is \$1.9 million for the 2006-07 biennium. The fiscal impact of the coastal property transaction fee cannot be estimated. The estimated fiscal impact of the oil and gas fee on production from state submerged lands, based on Railroad Commission (RRC) production data, is \$0.8 million for the 2006-07 biennium.

The fiscal impact of the fee on marine engine lubricants cannot be determined at this time. At the proposed rate of \$0.0005 (a 20th of a cent) per gallon, 6 billion gallons of motor lubricant would need to be sold to generate \$3.0 million in annual revenue. Estimates of the revenue from the fee on marine fuels and the fee on marine residual and distillate fuels oils were obtained by multiplying the volume of affected marine fuels purchased in Texas by the proposed fees. The estimate for the marine fuel fee

is \$4.9 million for the 2006-07 biennium and the estimate for the fee on marine residual and distillate fuels oils is \$9.2 million for the 2006-07 biennium.

Revenue from the dockage fee on commercial shipping, based on docking data from major public ports, is estimated to be \$6.6 million for the 2006-07 biennium. At this time, the actual revenue gain from the proposed beach condominium rental surcharge cannot be determined. The revenue estimate for the waste tire recycling fee was based on TCEQ data for projected tire consumption. Since monthly remittances would be for fees collected in the previous month, revenue generated in fiscal 2006 would represent only 11, rather than 12 months of collection. The estimate for the 2006-07 biennium is \$38.7 million.

TPWD reports that they have no way to determine how much revenue recreational saltwater fish anglers may donate for into the new coastal erosion control subaccount.

The fiscal impact of the proposed increase in the hotel occupancy tax rate for the 25 counties that would be eligible to charge the 7 percent tax rate was based on data on taxable receipts for those coastal counties. This data was taken from the Comptroller tax files and multiplied by 1 percent to derive the additional revenue from the proposed rate increase. The estimate for the 2006-07 biennium is \$22.6 million.

The Comptroller's 2006-07 Biennial Revenue Estimate projections for Outer Continental Shelf Settlement revenue were used to determine the gain and loss of the proposed change in allocation. This estimate is \$7.9 million for the 2006-07 biennium. The fiscal impact associated with an allocation from the Inland Waterways Trust Fund and grants from the federal government for the restoration, creation or enhancement of wetlands cannot be determined.

The total revenue gain to the new subaccount in the General Revenue-Dedicated Coastal Protection Account No. 027 is \$ 99.6 million for the 2006-07 biennium. The total loss to the General Revenue Fund for the biennium is \$7.9 million.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. However, a dedicated source of funding for coastal erosion control projects would benefit coastal communities to the extent that these funds result in the State of Texas receiving additional federal funds for coastal erosion projects

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board

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