LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION
Revision 1

April 26, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: **SB1863** by Ogden (Relating to certain fiscal matters affecting governmental entities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1863, As Introduced: a positive impact of $35,153,821 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.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	$12,875,633
2007	$22,278,188
2008	$15,605,611
2009	$15,853,308
2010	$16,292,795

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 *OIL-FIELD CLEANUP ACCT* 145	Probable Savings/ (Cost) from *ALL GR DEDICATED ACCOUNTS* 994
2006	$10,110,000	$2,765,633	($6,617,000)	$291,119
2007	$9,708,000	$12,570,188	($6,326,000)	$1,212,651
2008	$9,079,000	$6,526,611	($5,586,000)	$650,170
2009	$8,841,000	$7,012,308	($5,549,000)	$701,296
2010	$8,823,000	$7,469,795	($5,330,000)	$749,452

Fiscal Year	Probable Savings/ (Cost) from *FEDERAL FUNDS* 555	Probable Savings/ (Cost) from *STATE HIGHWAY FUND* 6	Probable Savings/ (Cost) from *OTHER FUNDS* 997
2006	$970,397	$800,578	$24,260
2007	$1,042,171	$859,791	$3,026,054
2008	$1,167,232	$962,966	$1,029,181
2009	$1,337,652	$1,103,563	$1,033,441
2010	$1,498,174	$1,235,993	$1,037,454

Fiscal Analysis

Article 2 of the bill would increase the annual lobby registration fee to $500 from $300 for lobbyists other than those employed by a tax-exempt organization under 501(c)(3) or 501(c)(4), Internal Revenue Code. The registration fee for lobbyists employed by these non-profit organizations would remain at $100. The article would take effect December 1, 2005.

Article 3 would authorize the Commission on Jail Standards to set and collect a fee to cover the cost of a jail reinspection 1) following a determination of noncompliance with minimum standards, 2) at the request of the jail operator, and 3) before the jail operator has taken actions to ensure compliance with jail standards. Fees would be deposited in a special account within the General Revenue Fund and could be appropriated only to pay the Commission's costs for these reinspections.

Article 4 would implement the Legislative Budget Board's Staff Performance Report, "Recover Certain State Agency Overpayments to Vendors." The bill would require agencies with total expenditures exceeding $100 million in a biennium to participate in recovery audits on expenditures to third parties. The CPA may exempt some agencies by rule.

Article IX, Section 8.03 of the current version of the General Appropriations Bill as passed by the House and Senate directs the Comptroller to deposit 50 percent of recovered General Revenue Funds, General Revenue-Dedicated Funds, and Other Funds in the state treasury. The remaining 50 percent is retained by the agency for the original purpose of the appropriations and to pay the recovery audit firm. The bill would require the Comptroller to report results to the legislature.

Article 5 would redirect the following fees revenues from the Oil Field Cleanup (OFCU) Account No. 145 to the General Revenue Fund: rule exception and review fees; oil and gas conservation fees; compliance certification fees; and various penalties. The bill increases the following fees and directs revenues to the General Revenue Fund instead of the OFCU Account No. 145: drilling permit fees; expedite application fees; fluid injection well permit fees; and surface water discharge fees.

The bill creates a new oil field cleanup fee in an amount not to exceed 13/16 of one cent per barrel of oil. The bill creates an inactive well fee to be deposited to the OFCU Account No. 145. The bill provides that when the sum of drilling permit, expedite, injection, and discharge fees exceeds $7.5 million in a fiscal year, the amount in excess of $7.5 million is transferred to the OFCU Account No. 145.

The bill would limit the amount of administrative expenses paid from the OFCU Account No. 145 to 10 percent of the amount expended from the account each fiscal year. This article would take effect September 1, 2005.

Article 6 would implement the LBB's Staff Performance Report, "Offer an Incentive to Employees Who Opt Out of the State Employee Health Insurance Program." This article would modify the process an employee would use to waive participation in the Employees Retirement System (ERS) health benefit plan. The bill would require the ERS board of trustees (board) to offer a TRICARE supplemental health coverage as an optional coverage. The bill authorizes the board to allow an incentive payment to an employee who selects to opt out of the state's health coverage. The amount of the incentive payment is to be set in the General Appropriations Act. The incentive may be used by the employee only to pay for optional coverage provided under the ERS group benefits plan, including the TRICARE supplemental health coverage.

The bill authorizes a reduction in the state contribution for an employee who waives participation in the state's health plan. The state is authorized to appropriate the amount specified in the General Appropriations Act for the incentive payment instead of the amount of the state contribution for "member-only" health coverage.

Except as noted above, the bill would take effect immediately if it receives a vote of two-thirds of each house. Otherwise, bill would take effect on the 91st day after the last day of the legislative session.

Methodology

The estimate for **Article 2** is based on information provided by the comptroller. The comptroller estimates that 1,400 lobbyists would register at the $500 level during each year in which a regular session of the Texas Legislature is held, and 1,200 lobbyists would register at the $500 level in non-session years. This change would result in a General Revenue Fund gain of $520,000 for the 2006-2007 biennium.

The estimate for **Article 3** is based on information from the Commission on Jail Standards. The Commission estimates fee revenue would be $5,000 per year from counties and architects for facility reinspections and occupancy inspections. This change would result in a General Revenue Fund gain of $10,000 for the 2006-2007 biennium.

For **Article 4**, it is assumed that the recovery audit firm would produce a 0.04 percent recovery rate on all expenditures. It is assumed that recoveries from fiscal years 2003 to 2005 would be collected in fiscal year 2007, but subsequent years would recover expenditures from a single prior fiscal year. As each Federal Funds program has its own rules regarding recovered expenditures, it is estimated that there would be no savings or revenue gain from Federal Funds. Per Article IX, Section 8.03 of the General Appropriations Bill passed by the House, half of recovered funds would be returned to the state treasury for each fiscal year that is audited. In fiscal year 2007, recovered funds returned to the state treasury would be for three years, thus saving $10.5 million in General Revenue Related Funds and $3.0 million in Other Funds. It is assumed that the CPA could absorb the cost of administering this program within current appropriations.

The bill's provisions in **Article 5** increase certain fees collected by the Railroad Commission and redirect fee revenues from the OFCU Account No. 145 to the General Revenue Fund. These changes are expected to result in revenue gain to the General Revenue Fund of $9,865,000 in fiscal year 2006 and $9,423,000 in fiscal year 2007 a net revenue loss to the OFCU Account No. 145 of $6,617,000 in fiscal year 2006 and $6,326,000 in fiscal year 2007. These revenue estimates were provided by the Comptroller of Public Accounts.

The bill's provisions limiting administrative expenditures to 10 percent of the amount spent out of the OFCU Account No. 145 are not expected to have a significant impact on the Railroad Commission because related administrative costs are expected to be less than 10 percent each fiscal year. The bill's provisions requiring drilling permit, expedite, injection, and discharge fees collected in excess of $7.5 million to transfer to the OFCU Account No. 145 is not expected to have a significant impact since revenues from those fees are not expected to exceed $7.5 million in any single fiscal year.

A 2006-07 All Funds savings of $8,378,327 (of which $5,278,346 is General Revenue Related savings) is included in Article IX of the current version of the General Appropriations Bill as passed by the House based on savings resulting from **Article 6**. This section of the bill authorizes a reduction in the state contribution for an employee or annuitant who waives participation in the state's health plan. House Committee Report, C.S.S.B. 1, Article IX, Section 13.16 provides a $60 per month state contribution for each employee or retiree who opt out of the state's health coverage.

The savings estimate assumes: the HealthSelect premium will increase each year; the employee population is constant; and savings are reduced 20 percent for adverse selection. It is assumed that seventy-five percent of TRICARE eligible employees currently in the state's health plan would opt out and an additional one-half of one percent of employees with member-only coverage would opt out. The total anticipated 2006-07 All Funds savings is $10,062,843; including General Revenue Related savings of $6,339,591. This is an additional 2006-07 All Funds savings of $1,684,516 and General Revenue Related savings of $1,061,245 above amounts assumed in the General Appropriations Bill as passed by the House.

The bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either within or outside of the Treasury, or create a dedicated revenue source. Therefore, the fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature. The article would take effect September 1, 2005.

Local Government Impact

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

Source Agencies: 327 Employees Retirement System, 356 Texas Ethics Commission, 409 Commission on Jail Standards, 455 Railroad Commission, 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, VDS, RS, JI