

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 11, 2007

TO: Honorable Robert Puente, Chair, House Committee on Natural Resources

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

IN RE: HB3531 by Isett, Carl (Relating to the composition and use of the coastal protection fund.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3531, As Introduced: a negative impact of (\$7,859,000) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2008 | (\$4,030,000) |
| 2009 | (\$3,829,000) |
| 2010 | (\$3,637,000) |
| 2011 | (\$3,455,000) |
| 2012 | (\$3,283,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain/(Loss) from COASTAL PROTECTION ACCT 27 | Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1 |
|-------------|--|--|
| 2008 | \$10,143,000 | (\$4,030,000) |
| 2009 | \$9,980,000 | (\$3,829,000) |
| 2010 | \$9,824,000 | (\$3,637,000) |
| 2011 | \$9,677,000 | (\$3,455,000) |
| 2012 | \$9,541,000 | (\$3,283,000) |

Fiscal Analysis

The bill would amend Chapter 40, Natural Resources Code, to include the state’s Coastal Management Program, coastal wetlands acquisition, coastal protection and improvement projects and state implementation of the federal Coastal Impact Assistance Program as permissible uses of the Coastal Protection Fund.

The bill would impose a \$20 surcharge on insurance policies issued by the Texas Windstorm Insurance Association in first tier coastal counties on or after January 1, 2008 and direct those revenues to the Coastal Protection Fund. The bill would also direct one-third of the settlement proceeds received by Texas under the provisions of Section 8(g) of the Outer Continental Shelf Land Act to the Coastal Protection Fund.

The bill also directs port authorities and navigation districts to collect a \$150 docking fee on commercial vessels with a draft of at least 18 feet each time such a vessel docks at their facilities. Port authorities and navigation districts are authorized to retain one percent of the fees collected under this

provision to cover their administrative costs. The revenue generated by the dockage fee is directed to the Coastal Protection Fund.

Revenue credited to the fund from Section 8(g) of the Outer Continental Shelf Land Act may be used only for the purposes provided for in Subchapters F, G, H and I of Chapter 33, Natural Resources Code and administration of the federal Coastal Impact Assistance Program. Revenue generated by the commercial vessel docking fee may be expended only for erosion response projects that directly benefit commercial vessels docking at port authority or navigation district facilities.

Methodology

Based on estimates from the US Army Corp of Engineers and the Maritime Administration of the U.S. Department of Transportation, the \$150 dockage fee on commercial shipping and commercial passenger vessels docked at Texas port facilities would generate approximately \$2,013,000 in fiscal year 2008, \$2,051,000 in fiscal year 2009, \$2,087,000 in fiscal year 2010, \$2,122,000 in fiscal year 2011, and \$2,158,000 in fiscal year 2012.

Based on estimates from the Texas Windstorm Insurance Association (TWIA) that there will be approximately 205,000 policies in force by the end of fiscal year 2007, a \$20 surcharge on insurance policies issued by the TWIA in the first tier coastal counties would generate \$4,100,000 per fiscal year.

Based on the 2008-09 Biennial Revenue Estimate, the estimate for the one-third of revenue received from Section 8 (g) is \$4,030,000 in fiscal year 2008 and \$3,829,000 in fiscal year 2009. The estimate for the Section 8 (g) revenue in subsequent years is \$3,637,000 in fiscal year 2010, \$3,455,000 in fiscal year 2011, and \$3,283,000 in fiscal year 2012. Since this revenue would be transferred from the General Revenue Fund to the Coastal Protection Fund there would be a corresponding loss in each fiscal year to General Revenue.

Technology

None.

Local Government Impact

The Port of Houston Authority reports a potential revenue gain of \$1.1 million in fiscal year 2008, which could rise to \$1.2 million by fiscal year 2012. However, there would be a potential revenue loss of \$80 million in 2008 from the loss of traffic diverted to other ports where the docking fee does not exist. These losses would rise to \$83.2 million by 2012.

The Port of Beaumont reports that although the direct fiscal impact on its operations is minimal, the potential loss of port traffic could negatively affect overall revenues.

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

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