

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 17, 2007

TO: Honorable John Carona, Chair, Senate Committee on Transportation & Homeland Security

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

IN RE: SB1929 by Carona (Relating to the construction, acquisition, financing, maintenance, management, operation, ownership, and control of transportation facilities and the progress, improvement, policing, and safety of transportation in the state; modifying existing taxes.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB1929, As Introduced: a negative impact of (\$1,187,395,000) through the biennium ending August 31, 2009.

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
2008	(\$601,122,000)
2009	(\$586,273,000)
2010	(\$569,850,000)
2011	(\$550,522,000)
2012	(\$531,384,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Revenue (Loss) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Revenue Gain from <i>GENERAL REVENUE</i> <i>FUND - DEDICATED</i> <i>TO PARKS AND</i> <i>WILDLIFE</i> <i>DEPARTMENT</i> 1	Probable Revenue Gain from <i>GENERAL REVENUE</i> <i>FUND -</i> <i>UNDEDICATED</i> 1
2008	(\$585,100,000)	(\$35,320,000)	\$375,000	\$241,000
2009	(\$585,100,000)	(\$36,612,000)	\$723,000	\$464,000
2010	(\$585,100,000)	(\$37,853,000)	\$1,074,000	\$690,000
2011	(\$585,100,000)	(\$39,048,000)	\$1,484,000	\$953,000
2012	(\$585,100,000)	(\$40,205,000)	\$1,877,000	\$1,205,000

Fiscal Year	Probable Revenue Gain from AVAILABLE SCHOOL FUND 2	Probable Revenue Gain from TEXAS MOBILITY FUND 365	Probable Revenue Gain from STATE HIGHWAY FUND 6
2008	\$18,682,000	\$35,320,000	\$51,782,000
2009	\$34,252,000	\$36,612,000	\$102,756,000
2010	\$51,339,000	\$37,853,000	\$154,017,000
2011	\$71,189,000	\$39,048,000	\$213,566,000
2012	\$90,839,000	\$40,205,000	\$272,518,000

Fiscal Analysis

The bill would amend the Transportation Code to specify that money in the State Highway Fund may not be transferred to or appropriated for use by the Department of Public Safety (DPS), the Health and Human Services Commission (HHSC) or any other health and human services agency or entity, or the Texas Workforce Commission (TWC). The bill would authorize the Texas Transportation Commission to issue general obligation bonds in an aggregate amount not to exceed \$5 billion to fund highway improvement projects and would specify that the bonds must have a maturity date no later than 30 years after issuance. The bill would require the State Auditor to perform an audit of each annual financial statement for a toll road segment or combination of segments. The bill would require the Attorney General to perform a legal review of a comprehensive development agreement before the Texas Department of Transportation (TxDOT) could enter in to the agreement. The bill would require the Comptroller of Public Accounts (CPA) to perform toll revenue projections for a toll road before TxDOT could enter into an agreement with a developer to operate, lease, or finance the toll road. The bill would authorize the Transportation Commission to allow TxDOT to acquire a toll project or system from a governmental entity if the governing body of the entity approves the acquisition, issue bonds to acquire such a toll project, and assume debt and other liabilities relating to the project. The bill would allow two or more counties to jointly exercise the powers granted under Chapter 284, Transportation Code, related to causeways, bridges, tunnels, turnpikes, ferries, and highways in certain counties. The bill would allow certain counties and regional tollway authorities to exercise the powers of a regional mobility authority. The bill would require \$5 from the portion of vehicle title fees remitted to TxDOT to be deposited to the credit of the Texas Mobility Fund No. 365 (Fund 365) rather than the General Revenue Fund. The bill would require personalized license plate fees, after \$1.25 deduction for TxDOT's administrative expenses, to be deposited to Fund 365 rather than the General Revenue Fund. The bill would require the CPA to deposit monies received from municipalities from certain traffic fines to Fund 365 rather than the General Revenue Fund.

The bill would amend Chapter 162 of the Tax Code to provide for an increase or decrease in the gasoline and diesel fuel tax rates on October 1 of each year in relation to the percentage change in the consumer price index. The bill would amend the Tax Code to specify that a transit sales and use tax imposed within the territory of a municipality for the support of certain transportation services may not be counted toward the total combined local tax rate.

Except as otherwise provided by the bill, the bill would take effect on September 1, 2007. Provisions relating to the issuance of general obligation bonds for highway improvement projects would require a voter approved constitutional amendment; if the amendment is not approved, these provisions of the bill would not take effect.

Methodology

The bill would prohibit the transfer or appropriation of State Highway Funds (Fund 6) to DPS, HHSC and other HHS agencies, and TWC. Under the current General Appropriations Act, the 2006–07 biennial appropriations and transfers of Fund 6 monies are estimated to be \$822.1 million to DPS (plus \$213.7 million for DPS employee benefits); \$60.7 million to HHSC and other HHS agencies, used as state matching funds for Medicaid; and \$13.7 million transferred to TWC from TxDOT for transportation services for certain clients under the Temporary Assistance for Needy Families (TANF) Choices and Food Stamp education and training programs. With the enactment of the bill, it is assumed these agencies and programs would receive appropriations of General Revenue Funds in lieu of Fund 6 to continue operations at current levels. Therefore, it is assumed the annual cost to the General Revenue Fund would be approximately \$585.1 million each year.

Based on the analysis of the Comptroller the bill would change the deposit of \$5 from each vehicle title fee and \$38.75 from each personalized license plate to the Texas Mobility Fund 365 (Fund 365) from the current deposit to the General Revenue Fund, which is estimated to result in a revenue gain to Fund 365 of \$35.5 million in 2008, increasing to \$40.2 million in 2012, with corresponding revenue losses to the General Revenue Fund.

The bill would provide for an increase or decrease in the gasoline and diesel fuel tax rates on October 1 of each year based on the percentage change in the consumer price index (CPI). The amounts in the tables above reflect estimates provided by the Comptroller obtained by adjusting the Comptroller's Biennial Revenue Estimate to reflect the increased tax rates resulting from projected changes in the CPI. Because of the October 1 effective date of each year's revised tax rate, the revenue change for each year was calculated based on the appropriate number of months of tax revenue at the differing tax rates during the year. The estimate was also adjusted to reflect statutory collection lags. Revenue gains to Fund 6 are estimated to be approximately \$51.8 million beginning in 2008, increasing to \$272.5 million in 2012. The gain to the General Revenue Fund would result from the increase in unclaimed motorboat refunds (including the portion that used to go to the Available School Fund 2) and other unclaimed refunds.

If a constitutional amendment authorizing the issuance of General Obligation (GO) Bonds for highway improvement projects is approved by voters, the bill would authorize the Texas Transportation Commission to issue GO Bond Proceeds in an aggregate amount not to exceed \$5 billion. It is assumed that the bond proceeds would be tax-exempt and issued at a 6.0 percent interest rate with a 30-year level debt service structure, including principal and interest, which would result in annual average debt service payments of approximately \$450 million each year for fiscal years 2008 through 2012. Since the issuance of these GO Bonds would be contingent upon the approval of a constitutional amendment, the amounts of proceeds and costs of debt service are not included in the tables above.

According to the CPA, the bill would create a new sales and use tax that could be imposed in a municipality to support transportation services authorized under the Transportation Code. Because the timing, amount, and location of any sales and use tax increase by municipality cannot be predicted, the fiscal implications cannot be determined.

Based on the analysis of the State Auditors Office (SAO), the provisions of the bill requiring the SAO to audit annual financial statements for a toll road segment or combination of segments would require approximately 5,600 audit hours for a cost of \$537,600 in 2008 increasing to 9,000 hours at a cost of \$864,000 in 2012. It is assumed the costs to the SAO would be reimbursed by TxDOT and could be absorbed within existing state resources.

Based on the analysis of the Office of the Attorney General and the CPA, it is assumed costs associated with legal reviews of comprehensive development agreements and toll revenue projections could be absorbed within existing state resources.

Local Government Impact

It is assumed that costs to a county, regional tollway authority, or regional mobility authority for participating in the construction, acquisition, financing, maintenance, management, operation, ownership, and control of transportation facilities in this state would depend on the size of the local entity, the size and type of the projects that are constructed, and the nature of any agreements entered into with TxDOT.

Section 30 of the bill would authorize a new transit sales and use tax to support certain authorized transportation services. The fiscal impact to local governments would depend on how many municipalities decide to implement the additional sales and use tax.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 320 Texas Workforce Commission, 405 Department of Public Safety, 529 Health and Human Services Commission, 601 Department of Transportation

LBB Staff: JOB, MW, KJG, TG