LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82nd LEGISLATURE 1st CALLED SESSION - 2011

June 4, 2011

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

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

IN RE: **SB1** by Duncan (Relating to certain state fiscal matters; providing penalties.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1, Committee Report 2nd House, Substituted: a positive impact of $7,618,784,665 through the biennium ending August 31, 2013.

The bill would also result in a $149,346,500 loss to the Property Tax Relief Fund 304 for the biennium ending August 31, 2013. Therefore the bill would have a net positive impact of $7,469,438,165 to General Revenue Funds for the biennium.

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
2012	$2,124,628,208
2013	$5,494,156,457
2014	$1,429,498,207
2015	$2,152,696,207
2016	$2,156,336,707

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *Available School Fund* 2	Probable Savings/ (Cost) from *Foundation School Fund* 193
2012	$2,041,054,266	$95,323,942	$0	($11,750,000)
2013	$2,041,080,266	$1,285,626,191	($134,338,000)	$2,300,000,000
2014	$2,033,255,266	($738,095,059)	$134,338,000	$0
2015	$2,033,280,266	$119,415,941	$0	$0
2016	$2,033,455,266	$122,881,441	$0	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *Foundation School Fund* 193	Probable Revenue Gain/(Loss) from *Property Tax Relief Fund* 304	Probable Savings/ (Cost) from *Oil-field Cleanup Acct* 145	Probable Revenue Gain/(Loss) from *Oil-field Cleanup Acct* 145
2012	$0	($73,874,750)	$27,500,000	($55,201,000)
2013	$1,788,000	($75,471,750)	$27,500,000	($25,111,000)
2014	$0	$81,250	$27,500,000	($25,268,000)
2015	$0	$251,250	$27,500,000	($25,483,000)
2016	$0	($165,000)	$27,500,000	($25,696,000)

Fiscal Year	Probable Revenue Gain/(Loss) from *Petro Sto Tank Remed Acct* 655	Probable Revenue Gain/(Loss) from *Tx Preservation Trust Acc* 664	Probable Revenue Gain/(Loss) from *Tobacco Education/Enforce* 5044	Probable Revenue Gain/(Loss) from *Children & Public Health* 5045
2012	$21,124,000	$10,089,461	$10,562,519	$5,281,258
2013	$23,663,000	$0	$28,481,408	$14,240,704
2014	$23,807,000	$0	$0	$0
2015	$23,937,000	$0	$0	$0
2016	$2,007,000	$0	$0	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *Ems & Trauma Care Account* 5046	Probable Revenue Gain/(Loss) from *DIR Clearing Fund Account - AR* 8122	Probable Revenue Gain/(Loss) from *Telecommunications Revolving - AR* 8123	Probable Revenue Gain/(Loss) from *DIR Clearing Fund Account - IAC* 8124
2012	$5,281,258	$272,351	$226,863	$116,722
2013	$14,240,704	$256,572	$221,938	$109,960
2014	$0	$0	$0	$0
2015	$0	$0	$0	$0
2016	$0	$0	$0	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *Telecommunications Revolving - IAC* 8125	Probable Revenue Gain/(Loss) from *Statewide Technology Account - IAC* 8126	Probable Savings/ (Cost) from *New General Revenue Dedicated Oil & Gas Acct*	Probable Revenue Gain/(Loss) from *New General Revenue Dedicated Oil & Gas Acct*
2012	$1,550,119	$365,729	($48,897,500)	$79,097,500
2013	$1,506,890	$344,541	($48,897,500)	$48,897,500
2014	$0	$0	($48,897,500)	$48,897,500
2015	$0	$0	($48,897,500)	$48,897,500
2016	$0	$0	($48,897,500)	$48,897,500

Fiscal Year	Probable Revenue Gain/(Loss) from *New General Revenue Dedicated Jud Ed Acct*	Probable Revenue Gain/(Loss) from *Jud & Court Training Fd* 540	Probable Revenue Gain/(Loss) from *State Highway Fund* 6	Probable Revenue Gain/(Loss) from *Cities*
2012	$11,716,000	($11,716,000)	$0	$15,825,000
2013	$10,660,000	($10,660,000)	($403,016,000)	$16,525,000
2014	$10,660,000	($10,660,000)	$403,016,000	$16,925,000
2015	$10,660,000	($10,660,000)	$0	$17,525,000
2016	$10,660,000	($10,660,000)	$0	$18,125,000

Fiscal Year	Probable Revenue Gain/(Loss) from *Transit Authorities*	Probable Revenue Gain/(Loss) from *Counties & Sp Dist*	Change in Number of State Employees from FY 2011
2012	$4,975,000	$2,750,000	5.0
2013	$5,175,000	$2,850,000	5.0
2014	$5,275,000	$2,950,000	5.0
2015	$5,475,000	$3,050,000	5.0
2016	$5,675,000	$3,150,000	5.0

Fiscal Analysis

Article 1 would defer the Foundation School Program (FSP) payment to school districts scheduled for August of fiscal year 2013 to not earlier than September 5th of the following fiscal year. Article 1 would amend Government Code Section 466.355 to require the comptroller to estimate the amount to be transferred to the foundation school fund on or before September 15th and transfer the amount to the FSP before August 25.

Article 2 would implement a recommendation in the report, "End the Use of General Revenue Funds to Pay for Insurance Company Examinations," in the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-second Texas Legislature, 2011, by repealing insurance premium tax credits for examination fees. This provision would apply to examination fees or evaluations paid in calendar year 2012 or 2013 and the provision would expire on January 1, 2014.

Article 3, relating to tax records, would amend the Occupations Code and the Tax Code to extend the amount of time that taxpayers must keep records such as electronically stored images of documents. Specifically, Section 111.0041 of the Tax Code would be amended to extend the time to at least four years that taxpayers would be required to maintain records to substantiate and verify a claim regarding the taxes, penalties, and interest. Conforming changes would be made elsewhere in the Tax Code and the Occupations Code. This Article would take effect immediately if the bill receives the requisite two-thirds vote of each chamber, otherwise it would take effect October 1, 2011.

Article 4 would implement the recommendation in the report, "Reduce the Unclaimed Property Dormancy Period for Certain Property Types" in the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-second Legislature, 2011. It would decrease the unclaimed property dormancy period for utility deposits from three years to one year; money orders from seven years to three years; and bank deposits, savings accounts, and matured certificates of deposits from five years to three years. The bill would increase the maximum service, maintenance, or other charge from 50 cents to $1 that money order companies can assess before the property is defined as abandoned under the Property Code. Article 4 would move the deadline for businesses to transfer unclaimed property to the Comptroller from November 1 to July 1. As a result, three unclaimed property transfers would occur in the 2012-13 biennium. There would be two transfers in all future biennia, but with a new July 1st transfer deadline. Article 4 would also authorize the Comptroller to sell unclaimed securities upon receipt from the companies that hold them, as well as from time to time. Current law does not specifically permit the Comptroller to sell securities upon receipt.

Article 5 of the bill would change the classification of the Judicial and Court Personnel Training Fund No. 540 from Other Funds to a dedicated account within the General Revenue Fund.

Article 6 would amend the Water Code to extend the petroleum product delivery fee. Under current law, the fee will not be collected after August 31, 2011. The bill would continue the fees with no expiration date. The fee would continue to be imposed on the delivery of virtually all petroleum products withdrawn from bulk storage at various rates on each delivery, based on cargo tank capacity, and would range from $3.125 to $12.50 per delivery. According to the Comptroller, revenues collected would be subject to a 2 percent service charge that would be deposited to the General Revenue Fund, and the remaining receipts deposited to the GR-Dedicated Petroleum Storage Tank Remediation Account No. 655.

Article 7 would impact the collection of certain motor fuel taxes. The bill would amend various chapters of the Tax Code to require tax remittances on motor fuel taxes and delay the transfer of motor fuels taxes from general revenue to the State Highway Fund and Fund 002 that would normally occur in August 2013. The revenue would be deposited in September 2013. This article would take effect October 1, 2011.

Article 8 would impact collections of mixed beverage taxes and fees on certain alcoholic beverages. The bill would amend various chapters of the Alcoholic Beverage Code to require tax remittances for the month of September to be paid in August for certain taxes in odd-numbered years.

Article 9 would reduce the cigarette tax distributors' discount from three percent to two and a half percent. This article would take effect October 1, 2011.

Article 10 would amend Tax Code to redefine sale for resale. This provision would take effect immediately if the bill received the requisite two-thirds vote of each chamber; otherwise, it would take effect October 1, 2011.

Article 11 would amend Chapter 151 of the Tax Code relating to tax due dates and report dates to provide for a 25 percent prepayment of the sales and use tax in August 2013 and an offsetting credit in September 2013. The prepayment would be required of taxpayers who pay by electronic funds transfer and who do not prepay as provided by Section 151.424.

Article 12, relating to the penalties for failure to report or remit certain taxes or fees, would amend the Tax Code and the Health and Safety Code to add a penalty of $50 for a person who fails to file certain reports required under the codes. The penalty would be in addition to any other authorized penalties, and without regard to whether the person subsequently files the report or whether any taxes or fees were due. The bill's provisions would apply to several taxes including the sales and use tax and motor vehicle rental and seller financed taxes. This Article would take effect immediately if the bill receives the requisite two-thirds vote of each chamber, otherwise it would take effect October 1, 2011.

Article 17 would create the Oil and Gas Regulation and Cleanup (OGRC) Fund as an account in the General Revenue Fund. The OGRC would replace the existing General Revenue-Dedicated Oil Field Cleanup (OFCU) Account No. 145, with all balances in that account transferring to the OGRC Fund, and all current revenue streams to the OFCU Account No. 145, except penalties, accruing to the OGRC Fund. Penalties would be deposited to the credit of the General Revenue Fund. The bill would authorize surcharges on the agency's existing fees to provide that the OGRC Fund cover all of the Railroad Commission's (RRC) costs related to the regulation of oil and gas development. The bill would provide a specific methodology for the RRC to determine the amount of such surcharges. The amount of such surcharges shall not exceed an amount equal to 185 percent of the fee on which they are imposed. In addition, the bill would require that the Comptroller notify the RRC when the OGRC Fund has an unexpended balance of $20.0 million or greater, at which point the agency would cease collecting oil field cleanup regulatory fees, until the unexpended balance of the OGRC Fund falls to$10.0 million.

Article 17 would also require the RRC to establish specific performance goals for oil and gas regulation through the appropriations process for: the number of orphaned wells plugged with the use of state funds; the number of abandoned sites to be investigated, assessed, or cleaned up; and the number of surface locations to be remediated. The RRC would also be required to submit quarterly reports to the Legislative Budget Board on OGRC Fund revenues and expenditures and progress towards the performance goals. Annually, the RRC would be required to report to the Legislature a review of the effectiveness of money provided in the OGRC Fund at enabling the agency to better protect the environment. Article 17 would also expand the applicability of the pipeline safety fee to include gas utility regulatory functions at the RRC.

Article 18 would implement a recommendation in the report, "Optimize the Use of State Parking Facilities" in the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-second Legislature, 2011. The bill would expand the Texas Facilities Commission authority related to the operations of state-owned parking lots and garages by authorizing the agency to lease excess parking spaces and facilities.

Article 19 would eliminate the publication and distribution of bound copies of the General and Special Laws of Texas (referred to as session law) by the Secretary of State following each session of the legislation, replacing such information with an electronic version on the agency's website.

Article 20 would authorize three specific fees for the Office of the Attorney General.

Article 21 would authorize money in the Preservation Trust Fund to be used for operation expenses of the Texas Historical Commission. This article would take effect November 1, 2011.

Article 22 would clarify the appropriate expenditure of revenue derived from the collection of fees imposed by the Department of Information Resources.

Article 23 would direct the State Bar to credit an attorney with meeting the minimum continuing legal education requirements while employed full-time with the Office of the Attorney General, with the exception of requirements for ethics and professional responsibility courses. The bill requires the OAG to provide OAG attorneys with continuing legal requirement opportunities. These provisions would expire January 1, 2014.

Article 24 would increase lobby registration fees by 50 percent.

Article 27 would expand the use of three tobacco settlement funds to pay the principal or interest on a bond issued on behalf of the Cancer Prevention and Research Institute of Texas, including: the Permanent Fund for Health and Tobacco Education and Enforcement; the Permanent Fund for Children and Public Health; and the Permanent Fund for Emergency medical Services and Trauma Care.

Article 28 of the bill would restructure the process used to dispose of state surplus or salvage property to improve the efficiency of the program.

Article 29 relates to the collection and allocation of certain sales and use tax. The bill would amend Section 151.008(b) to provide that the terms "seller" and "retailer" include a person who by agreement with an owner of tangible personal property has been entrusted with possession of and authority to sell, lease, or rent the property without additional action on the part of the owner.

The bill would amend Section 151.107 to provide that a "retailer engaged in business in this state" includes a retailer that (1) holds a substantial ownership in, or is owned in whole or substantial part by, a person who maintains a business location in this state if the retailer sells substantially the same product line and does so under substantially the same business name as the related retailer or if the facilities or employees of the related person in this state are used to advertise, promote, or facilitate sales by the retailer or are used to maintain a marketplace in this state for the retailer, exchanging returned merchandise; or (2) holds a substantial ownership in, or is owned in whole or substantial part by, a person that maintains a distribution center, warehouse, or similar location in this state that delivers property sold by the retailer. This article would take effect January 1, 2012.

Article 30 extends the eligibility period for which businesses can take tax credits that had accrued under the old franchise tax through to December 31, 2016.

Article 31 would allow the Comptroller to enter into contracts with procurement specialists to more effectively and inexpensively procure items purchased and used by state agencies. The specialist would be paid from the cost savings generated.

Article 33 of the bill would amend the Government Code relating to the Texas Back to Work Initiative would allow the Governor to transfer money from the Texas Enterprise Fund (TEF) to the Texas Back To Work initiative administered by the Texas Workforce Commission upon an appropriation made by the Legislature.

Article 34 would provide a homestead exemption for surviving veteran spouses. This article would take effect January 1, 2012.

Article 35 extends the small business franchise tax exemption at $1,000,000 until 2014.

Article 37 relates to fiscal matters concerning process servers and entitles a person appointed to the process server review board to reimbursement for actual and necessary expenses incurred in traveling and performing official board duties and requires the office to establish a certification division. The Article would also require OCA to establish a certification division to oversee regulatory programs.

Article 38 relates to fiscal matters regarding reimbursement of jurors and entitles a person who reports for jury service to receive reimbursement for travel and other expenses.

Article 39 would eliminate the Texas health opportunity pool (HOP) as a beneficiary of revenue from the fee imposed on certain sexually oriented businesses. The Comptroller of Public Accounts would be required to collect the fee until a court, in a final judgment upheld on appeal or no longer subject to appeal, finds the enabling statute or its predecessor to be unconstitutional. Allowable uses of the Sexual Assault Program Fund would be expanded; any entity receiving an appropriation from the fund would be required to report annually to the Legislative Budget Board (LBB). This Article prevails over any Act of the 82nd Legislature, Regular Session or 1st called session, 2011, or any provision of Chapter 1206 (H.B. 1751), Acts of the 80th Legislature, Regular Session, 2007.

Article 40 would amend Government Code, Chapter 501, to decrease the number of public members appointed to the Correctional Managed Health Care Committee from nine to six, and require the committee to take certain actions relating to contracts.

Article 41 would expand the allowable use of the Texas Enterprise Fund to include grant awards under the Texas homeless housing and services program, administered by the Texas Department of Housing and Community Affairs.

Article 43 would amend Chapter 23 of the Tax Code to add beekeeping for the purpose of pollination, food production, or production of other commercial products to the list of activities that could qualify land for the reduced agricultural use property tax appraisal if the activity is at the degree of intensity generally accepted in the area and meets other existing requirements. The bill would provide that land used for these purposes could not be less than five acres but not more than 20 acres.

Article 46 would allow the Comptroller to collect data for unclaimed property search every five years, instead of every year.

Article 47 would amend Chapter 11 of the Tax Code, regarding property taxation and exemptions, to change the definition of "goods-in-transit" to require that the personal property be stored under a contract of bailment by a public warehouse operator at one or more public warehouses that are not in any way owned or controlled by the owner of the personal property. Certain provisions of this article would take effect on January 1, 2012 or October 1, 2011.

Article 48 would implement the recommendation in the report, "Limit Advanced Placement Incentive Program Exam Fee Subsidies and End Campus Awards," in the Legislative Budget Board’s Government Effectiveness and Efficiency Report submitted to the Eighty-Second Texas Legislature, 2011 by funding the cost of examinations for students who demonstrate financial need in accordance with adopted guidelines.

Article 49 would limit eligibility for Educational Aide tuition exemptions to persons seeking certification in teacher shortage areas, as determined by the Commissioner. This article would apply beginning with tuition and fees charged for the 2012 fall semester.

Article 50 would amend Chapter 171 of the Tax Code, regarding the franchise tax, by revising the definition of "retail trade." The bill would add apparel rental activities to the definition of retail trade. The bill would take effect on January 1, 2012, and apply only to reports due on or after that date.

Article 51 would authorize certain school districts to retain additional state aid and would expire September 1, 2013.

Article 52 would amend Chapter 42 of the Education code to reduce a district’s additional state aid for tax relief in proportion to the degree to which its adopted maintenance and operations tax rates is below its compressed tax rate, applying beginning with tax rates adopted for the 2009 tax year.

Article 53 would remove the CPA from the Texas Guarantee Student Loan Board, authorize the Governor to appoint an additional member to the Board and authorize the Governor to appoint the Board of the Chair.

Article 54 redefines the disposition of mineral proceeds for Texas A&M University System, Texas State University System, Texas Tech University and Texas A&M Kingsville.

Article 55 reduces the reduction of a school district's financial entitlement by the amount a district has deposited into a TIRZ account. This section expires September 1, 2013.

Article 56 of the bill would make structural changes in the Foundation School Program that would result in significant state savings in fiscal year 2012 and continuing thereafter.

Except as otherwise noted, this Act takes effect September 1, 2011, if it receives a vote of two-thirds of all the members elected to each chamber. If this Act does not receive the vote necessary for effect on September 1, 2011, this Act takes effect on the 91st day after the last day of the legislative session.

Methodology

For Article 1 of the bill, the effect of deferring the August FSP payment in fiscal year 2013 to September of the following fiscal year is that a total of 23 monthly FSP payments would be dispersed during the 2012-13 biennium. Under current law funding of the FSP, this deferral would result in a one-time savings of $2.3 billion in fiscal year 2013. However, any statutory reduction to school districts' FSP entitlements would decrease the savings gained from this deferral. Funding levels in Conference Committee Report House Bill 1 (CCRHB 1) would produce a savings of $2.3 billion.

Article 2 would result in a revenue gain of $7.1 in General Revenue Related Funds in fiscal year 2013. To estimate the provisions of Article 2, data from TDI and the Comptroller were used to calculate the amount of examination fee and overhead assessment credits that would be available, the proportion of available examination fee credits that would be applied towards premium tax liability under current law, and the extent to which the repeal of these credits would increase the use of other types of premium tax credits.

The Comptroller estimates that Article 3 would result in gain of $11 million in General Revenue Funds for the 2012-13 biennium.

For Article 4, there would be a one-time gain of $77.7 million in fiscal year 2013 from reducing various unclaimed property dormancy periods. The Comptroller based this estimate on data for the affected property types. The increase in service, maintenance, and other fees that may be assessed by money order issuers would not have a significant fiscal impact because the dormancy period decrease from seven years to three years would offset any potential reduction in unclaimed property receipts. In Article 4, moving the unclaimed property transfer deadline to July 1 from November 1 would result in a one-time gain of $200 million in fiscal year 2013. The estimate reflects the impact of changes in the unclaimed property determination and transfer date and was developed using Comptroller data. For Article 4, the Comptroller estimates that unclaimed securities liquidation would result in a gain of $38 million to the General Revenue Fund in the 2012-13 biennium.

For Article 5, this analysis projects probable revenue gain to the General Revenue Fund from the reclassification of the Judicial and Court Personnel Training Fund No. 540 from Other Funds to the General Revenue Fund. Projected revenues to the Judicial and Court Personnel Training Fund are based on amounts included in the Comptroller's 2012–13 Biennial Revenue Estimate, or $10.6 million in fiscal year 2012 and $10.7 million in fiscal year 2013. Additionally, this estimate assumes $1,128,000 in unexpended balances available in the Judicial and Court Personnel Training Fund at the end of fiscal year 2011.

Article 6 continues the petroleum products delivery fee which under current law is scheduled to expire on August 31, 2011. According to the Comptroller, extending the fee would generate an estimated $44.8 million to the Petroleum Storage Tank Remediation Fund 655 in the 2012-13 biennium.

Article 7, relating to the motor fuels tax speed-up would result in a revenue gain of $67.1 million in General Revenue Funds for the 2012-13 biennium.

Article 7 would also delay the motor fuels tax transfer to Fund 6 and 2 and this provision would result in a net revenue gain of $403 million in General Revenue Related Funds.

Article 8 relating to the alcohol tax speed up would result in a gain of $17.6 million in General Revenue funds in the 2012-13 biennium. The fiscal impacts of Articles 7 and 8 were based on the Comptroller's 2012-13 Biennial Revenue Estimate. The provisions of this bill would impact revenue collections only in fiscal year 2013 and 2014.

Article 9 would result in a revenue gain of $11.63 million in General Revenue Related funds in the 2012-13 biennium. The fiscal impact of Article 9 was based on the Comptroller's 2012-13 Biennial Revenue Estimate. The proposed cigarette stamping allowance change would increase the revenue from each stamp by roughly one-half of one percent. First year revenue collections were adjusted for collection lags.

Article 10 would result in gain of $150 million in General Revenue Related funds in the 2012-13 biennium. Article 10 relates to a recent court decision that expanded the interpretation of items that may be purchased as a nontaxable sale for resale to include items purchased by contractors for use or consumption in performing services under federal contract. The bill would preclude the court decision from being further expanded to apply to contracts with exempt entities other than the federal government. The Comptroller used data on refund claims pursuant to the court decision to estimate the annual state sales tax reduction to be expected were the decision applied to contracts with exempt entities other than the federal government, and the implications for units of local government were estimated proportionally. The tables shown above assume an effective date of September 1, 2011.

For the 2012-13 biennium, Article 11 would result in a revenue gain of $231.2 million in General Revenue funds. The fiscal impact of Article 11 was based on the Comptroller's 2012-13 Biennial Revenue Estimate. The provisions of this bill would impact revenue collections only in fiscal year 2013 and 2014. The analysis for this article assumes a one-time payment would apply only to state sales taxes.

Article 12, relating to the penalties for failure to report or remit certain taxes or fees, would amend the Tax Code and the Health and Safety Code to add a penalty of $50 for a person who fails to file certain reports required under the codes. Article 12 would result in gain of $13.15 million in General Revenue Funds in the 2012-13 biennium.

Article 17 relating to oil and gas regulation would result in a net positive impact of $56.4 million to General Revenue and General Revenue-Dedicated Funds. For article 17 regarding the creation of the OGRC Fund, this estimate assumes that all balances in the OFCU Account No. 145 as of August 31, 2011 as reported in the Comptroller's Biennial Revenue Estimate (BRE) for 2012-13 of $30.2 million would transfer to the new OGRC Fund (a General Revenue-Dedicated Account), with the General Revenue Fund experiencing an equal loss. Current revenues to the OFCU Account No. 145, estimated at approximately $25 million per year based on the Comptroller's BRE, less an estimated $2.5 million in penalties, or $22.5 million per year, would begin to accrue to the new OGRC Fund, and is shown in the table above as a revenue gain, while a loss of $25.0 million per fiscal year is shown to the OFCU Account No. 145. The $2.5 million per year in penalty revenues is shown in the table above as a gain to the General Revenue Fund.

Article 17 would also require the RRC to cover all costs of oil and gas-related activities. Currently in the 2010-11 biennium, $18.9 million in annual expenditures for oil- and gas-related strategies are being paid out of the General Revenue Fund, along with an estimated $3.9 million in associated employee benefits, for a total of $22.8 million. This amount is shown as a savings to the General Revenue Fund in the table above. Based on the agency's 2012-13 Legislative Appropriations Request, the Railroad Commission's costs in 2010-11 out of the OFCU No. 145 of $27.5 million exceed revenues by $2.5 million, including benefits costs. Upon passage of the bill, $2.5 million in penalties would no longer be available, increasing that deficit to $5.0 million per year. This estimate assumes that the agency would have to set fees sufficient to cover that deficit, along with the $22.8 million amount to replace current General Revenue appropriations. It is therefore estimated that the RRC would have to set surcharges sufficient to raise $27.8 million in new revenue per fiscal year. Because the agency would spend all of the new revenue stream plus amounts covered by revenues to the OFCU Account No. 145 ($22.5 million per fiscal year that would transfer to the new OGRC Fund), the

OGRC would have total annual estimated costs of $48.9 million. As shown in the table above, this estimate assumes that revenue to the new OGRC Fund would be equal to total costs out of the Fund. The bill's provision relating to the 185 percent on surcharges is expected to reduce the revenue estimate for the new OGRC Fund by approximately $1.4 million per fiscal year and is included in the above table. For purposes of this analysis, it is assumed that available balances in the new OGRC fund would support costs in excess of the new Fund's annual revenue stream through the forecast period.

Article 18 relating to leasing of state parking facilities would result in a net General Revenue impact of $1.6 million. The LBB estimates that implementing the provisions contained in Article 18 of the bill would result in a General Revenue gain of $1.77 million in the 2012-13 biennium, or $887,471 per fiscal year. This estimate is based on leasing 40 percent of the estimated currently available excess parking spaces in the Capitol Complex to individual motorists at a rate of $50 per month and executing a revenue sharing long-term lease with the University of Texas for the use of state garages B and G. Because the exact implementation conditions (number of parking spaces to be leased and the contract least rate to be applied) are unknown, the Comptroller of Public Accounts was unable to provide a certifiable revenue estimate. Changes in the implementation of the program from the assumptions made above would alter projected revenue. For example, if demand is sufficient to support charging a higher monthly lease rate, additional revenues would be generated. The implementation of a program to lease specific parking spaces to individuals would require TFC to hire an additional employee due to the quantity of leases involved. TFC reports an additional employee and related expenses would carry a biennial cost of $127,812, including benefits. TFC could manage the lease of entire parking facilities within existing resources due to the limited number of opportunities for such a program.

The Secretary of State estimates that implementing the provisions contained in Article 19 of the bill would result in General Revenue savings of $75,000 in each even-numbered year.

The Office of the Attorney General (OAG) estimates that the bill's Article 20 provisions will result in increased General Revenue fee collections of $3.9 million in the 2012-13 biennium.

This analysis assumes the bill’s provisions contained in Article 21 would result in a one-time gain to General Revenue-Dedicated funds of $10,089,461 in fiscal year 2012 from transfer of the agency’s investments managed by the Comptroller through the Safekeeping Trust Company. The value of related Safekeeping Trust assets, as of February 28, 2011, was $10,604,461, offset by anticipated regular distributions of $212,000 into the Preservation Trust Fund during the remainder of fiscal year 2011 and a projected loss of $303,000 from the transition of the investments to cash in preparation for transfer into the Preservation Trust Fund. This analysis assumes no further changes would be made with regard to the fund’s fair market value.

The provisions contained in Article 22 of the bill would transfer existing fund balances from the Department of Information Resources’ telecommunications revolving fund to the General Revenue Fund and expand the allowable expenditure of fund revenues to appropriate information technology functions. The estimated unexpended balance in the revolving fund, to be transferred to General Revenue, for the fiscal year ending August 31, 2011 is $2.6 million. This analysis estimates that the allowable expansion of fee expenditures would result in a $5.0 million gain to the respective technology accounts during the 2012-13 biennium, as shown in the tables above.

The Office of the Attorney General (OAG) estimates that Article 23 provisions regarding continuing legal education for the OAG would result in a biennial General Revenue savings of $430,543.

The Texas Ethics Commission estimates that Article 24 regarding lobby registration fees would result in a revenue gain of $738,500 in General Revenue during the 2012-13 biennium.

The provisions included in Article 27 related to expanding the use of three tobacco settlement funds to pay the principal or interest on a bond issued on behalf of the Cancer Prevention and Research Institute of Texas would result in a gain to General Revenue- Dedicated Funds of $78.1 in the 2012-13 biennium. The gain shown above is based on appropriated amounts for the 2012-13 biennium.

Article 28 relating to surplus and salvage property would have no significant fiscal impact in the 2012-

13 biennium.

According to the CPA, Articles 29 and 30 regarding the sales and use tax, nexus and the franchise tax credits would result in a net revenue gain of $9.2 million in the 2012-13 biennium. The extension of certain franchise tax credits would result in a revenue loss of $6.8 million in General Revenue Funds in the 2012-13 biennium, and the provisions related to nexus are estimated to result in a revenue gain of $16 million in General Revenue Funds for the 2012-13 biennium.

The CPA estimates that Article 31 relating to procurement consultants would result in a General Revenue Fund savings of $16 million in the 2012-13 biennium.

Article 33 relating to the Texas Back to Work Programs would have no significant fiscal impact in the 2012-13 biennium.

Article 34 relating to ad valorem tax installment payments for surviving spouse of disabled veterans would have no significant fiscal impact in the 2012-13 biennium.

Article 35 relating to small business tax exemptions, would result in a revenue loss of $149.9 million in General Revenue Related Funds in the 2012-13 biennium.

Article 37 relating to the process server review board would result in a cost of $43,200 in General Revenue Funds in the 2012-13 biennium. According to OCA, the Process Server Review Board is composed of nine board members and currently meets once every month. OCA estimates travel reimbursement of approximately $200 per board member per meeting (9 board members x $200 per meeting x 12 meetings = $21,600). For purposes of this analysis, travel reimbursement costs for the board are estimated at $21,600 per fiscal year.

Article 38 relating to juror pay changes for fiscal year 2012 and 2013 would have no significant fiscal impact in the 2012-13 biennium.

Article 39 is assumed to have no fiscal impact. Fees are currently deposited to a suspense account, which is assumed to continue. Expanding allowable uses of the fund would have no fiscal impact.

Article 40 relating to correctional managed health care would have no significant fiscal impact in the 2012-13 biennium.

Article 41 relating to homeless housing and service programs would have no significant fiscal impact in the 2012-13 biennium.

The fiscal impact of Article 43 relating to ad valorem agricultural tax exemptions for beekeeping could not be determined.

Article 46 relating to data collection from unclaimed property searches would result in a General Revenue savings of $400,000 in the 2012-13 biennium.

The fiscal impact of article 47 relating to goods in transit could not be determined.

Article 48 would limit AP/IB exam fee subsidies to students who are educationally disadvantaged as defined in Section 5.001(4), Education Code, which would save an estimated $6.1 million in General Revenue Funds for fiscal year 2012 and $6.2 million in General Revenue Funds for fiscal year 2013, increasing to $6.5 million by fiscal year 2016. This estimate is based on current appropriations of $8.4 million for exam fee subsidies and assumes a 4 percent increase in the total number of AP/IB exams taken and a 9 percent increase in the number of AP/IB exams taken by low income students that would be eligible for a subsidy each school year. Projected increases are based on historical data and growth in participation provided by TEA. The savings from the provision are assumed in CCRHB 1.

Article 49 limiting eligibility for Educational Aide tuition exemptions to persons seeking certification in teacher shortage areas is estimated to reduce state costs for this program by $7.5 million in General Revenue related funds for the 2012-13 biennium. The savings from the provision are assumed in

CCRHB 1.

Article 50 relating to the franchise tax and classification of entities as retail would result in a revenue loss of $200,000 in the 2012-13 biennium.

Article 51 relating to the retention of certain FSP payments would have no significant fiscal impact in the 2012-13 biennium.

Article 52 relating to the state compression percentage would have no significant fiscal impact in the 2012-13 biennium.

Article 53 relating to the TGSL Corporation Board of Director Membership, would have no significant fiscal impact in the 2012-13 biennium.

Article 54 relating to the disposition of mineral proceeds for certain institutions of higher education would have no significant fiscal impact in the 2012-13 biennium.

Regarding Article 55, according to data from the Texas Education Agency, districts affected by the bill would see the amount they owe the state, under the current school finance provisions of Chapter 41 and Chapter 42 of the Texas Education Code, decrease by an estimated $11.8 million entailing a one-time state cost to the Foundation School Program compared to current law of a like amount.

Regarding Article 56, a model of the bill's changes to the calculation of Foundation School Program (FSP) formulas indicates that savings of approximately $2.0 billion each year would be achieved in the 2012-13 biennium. In fiscal year 2012 the $2.0 billion in reduction would be achieved through a proportional reduction to the FSP regular program. In fiscal year 2013 the reduction is achieved through a reduction to the regular program (25 percent of the reduction) and through a reduction to target revenue (75 percent of the reduction). In fiscal year 2014 and beyond those amounts are determined by in the General Appropriations Act.

Local Government Impact

School districts would experience significant loss of revenue under the Article 75's provisions. In total, revenues available to school districts would decline by approximately $2.0 billion per year relative to current law in fiscal year 2012 and fiscal year 2013. Reductions in revenue would vary among districts depending on specific local circumstances.

Source Agencies:

LBB Staff: JOB, KK, JI, ACl, LL