

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 15, 2011

TO: Honorable Rick Hardcastle, Chair, House Committee on Agriculture & Livestock

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

IN RE: HB1992 by Hardcastle (Relating to the authority of the Texas Animal Health Commission to set and collect fees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1992, As Introduced: a positive impact of \$1,374,556 through the biennium ending August 31, 2013.

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	\$654,278
2013	\$720,278
2014	\$720,278
2015	\$720,278
2016	\$708,278

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/ (Loss) from General Revenue Fund 1	Change in Number of State Employees from FY 2011
2012	(\$309,947)	\$964,225	4.0
2013	(\$243,947)	\$964,225	4.0
2014	(\$243,947)	\$964,225	4.0
2015	(\$243,947)	\$964,225	4.0
2016	(\$255,947)	\$964,225	4.0

Fiscal Analysis

This bill amends Sec. 161.060 of the Texas Agriculture Code to provide the Texas Animal Health Commission (TAHC) with comprehensive authority to assess fees for any costs incurred in providing services to and the regulation of animal agriculture industries of Texas, including:

- (1) the inspection of animals or facilities;
- (2) the testing of animals for disease;
- (3) obtaining samples from animals for disease testing;
- (4) disease prevention, control or eradication, and treatment efforts;
- (5) services related to the transport of livestock;
- (6) control and eradication of ticks and other pests; and,
- (7) any other service for which the commission incurs a cost.

Methodology

The bill, if enacted, would provide the TAHC with authority to assess fees to recover the cost of all activities and programs it provides on behalf of animal agriculture industries. Current law limits the TAHC's authority to charge fees for the following purposes: (a) inspections of animals or facilities housing animals; (b) veterinary health certificates (see Agricultural Code, Sec. 161.0601); and (c) poultry registration (see Agricultural Code, Sec. 161.0411(d)). The revenue generated by these fees is considerably less than the estimated cost of providing TAHC animal disease health services and regulation. As stated previously, approximately 60 percent of the TAHC appropriations included in House Bill 1 as Introduced, the General Appropriations Act for the 2012-13 Biennium, are contingent on the collection of revenues sufficient to offset these appropriations.

As a result, in consultation with stake-holders including the animal agriculture industry, the TAHC is in the process of developing a broad-based fee structure that would raise \$6,057,356 per fiscal year or \$12,114,712 per biennium, for the fiscal biennium beginning September 1, 2011 to partially offset the annual costs of agency operations. All fee receipts would be deposited into the General Revenue Fund. To date, the following fee proposals have been developed: (1) laboratory testing fees for various diseases affecting cattle, dairy, deer, swine and horses (brucellosis, trichomoniasis, equine piroplamosis, chronic wasting disease, equine infectious anemia); and (2) fees for chronic wasting disease, quarantined animal and garbage feeder inspections. The testing fee would be set at \$1.25 per test, and apply to an estimated 582,500 tests per fiscal year and is projected to generate \$731,500 per fiscal year. The inspections, the fees for which would range from \$25 for garbage feeder inspections to a high of \$250 for chronic wasting disease animal inspections would generate an estimated \$232,725 per fiscal year. The total annual revenue gain from these two sources to the General Revenue Fund is estimated to be \$964,225 or \$1,928,450 for the 2012-13 biennium.

According to the TAHC, the remaining annual revenue target of \$5,093,131 per fiscal year would be generated by a yet-to-be determined broad-based, equitably-derived fee that covers all species, all segments of the livestock, poultry and exotic livestock industries, and all marketing avenues and production methods. Since a fee proposal has not been specifically identified by the TAHC to raise this revenue, the revenue estimate included above only includes revenue projections for laboratory test and inspection fees.

The TAHC expects the new revenue collection responsibilities related to implementing the provisions of this bill would require the addition of four (4) full-time equivalent positions at an annual cost of \$223,947 (including a Clerk IV, two Accountants and a Systems Analyst); the one-time cost of acquiring billing or revenue software (\$75,000) and annual software license fee costs (\$20,000); and, last, the one-time purchase of additional computer equipment -- microcomputers and a server (\$11,000). The implementation costs for fiscal year 2012 total \$309,947; decline to \$243,947 per fiscal year for fiscal years 2013 to 2015; and increase to \$255,947 in fiscal year 2016 to reflect replacement costs for computer hardware.

Technology

See fiscal analysis for description and explanation of information technology costs.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 554 Animal Health Commission
LBB Staff: JOB, SZ, ZS