

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 18, 2011

TO: Honorable Craig Estes, Chair, Senate Committee on Agriculture & Rural Affairs

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.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1992, Committee Report 2nd House, Substituted: a positive impact of \$1,359,556 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	\$639,278
2013	\$720,278
2014	\$720,278
2015	\$720,278
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/ (Loss) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2011
2012	(\$324,947)	\$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	\$0	\$0	0.0

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.

The authority to collect fees provided by this legislation would enable the TAHC to continue to operate near 2010-11 funding levels during the 2012-13 Biennium, since House Bill 1 as Introduced, the General Appropriations Act for the 2012-13 Biennium, makes approximately 40 percent of the TAHC budget for the 2012-13 biennium (including 57.5 full-time equivalent positions) contingent on the collection of revenues sufficient to cover both the direct and indirect costs of selected animal disease health programs.

The authority to set and collect fees for cost recovery purposes would expire on September 1, 2015.

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 for the 2012-13 and 2014-15 biennia. 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, a significant portion of the appropriations for the TAHC 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 the animal agriculture industry, the TAHC is 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 and quarantined animal inspections. The testing fee would be set at \$1.25 per test, and apply to an estimated 582,500 tests per fiscal year and are projected to generate \$731,500 per fiscal year. Inspection fees and health certificate fees 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 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 (\$26,000). The implementation costs for fiscal year 2012 total \$324,947, and decline to \$223,947 per fiscal year for fiscal years 2013 to 2015.

Due to the sunset provision on the authority and collection of fees on September 1, 2015, no additional costs or revenues are assumed for fiscal year 2016.

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

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