LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION
Revision 1

May 27, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: **HB2949** by Cook (Relating to the administration of the collection improvement program.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2949, As Passed 2nd House: a positive impact of $7,797,170 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	$3,832,007
2013	$3,965,163
2014	$4,102,163
2015	$4,243,163
2016	$4,384,007

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from *General Revenue Fund* 1	Probable Revenue (Loss) from *General Revenue Fund* 1	Probable Revenue (Loss) from *General Revenue Dedicated, Multiple Accounts*	Probable Revenue (Loss) from *Other, Multiple Funds*
2012	$5,102,000	($1,102,415)	($2,387,839)	($867,117)
2013	$5,231,000	($1,102,415)	($2,387,839)	($867,117)
2014	$5,368,000	($1,102,415)	($2,387,839)	($867,117)
2015	$5,509,000	($1,102,415)	($2,387,839)	($867,117)
2016	$5,654,000	($1,102,415)	($2,387,839)	($867,117)

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2011
2012	($167,578)	2.0
2013	($163,422)	2.0
2014	($163,422)	2.0
2015	($163,422)	2.0
2016	($167,578)	2.0

Revenue from 19 unique state court costs is remitted to the Comptroller of Public Accounts (CPA) and deposited to 18 funds, including General Revenue, General Revenue-Dedicated (GR-D), and Other

Funds. The table above consolidates all GR-D accounts affected into one column and all Other Funds affected into one column.

Fiscal Analysis

The bill would amend the Local Government Code, Article 103.0033 to change several requirements of the Collection Improvement Program (CIP) including redefining eligible cases to exclude deferred dispositions and driver safety courses; make the program voluntary for all counties; and transfer the CIP audit function from the Comptroller of Public Accounts (CPA) to the Office of Court Administration (OCA).

The bill would amend the Local Government Code, Article 133.058 to remove the penalty for CIP non-compliance by counties since the program would now be voluntary for counties of all population sizes. It would also provide cities up to 180 days to reestablish compliance before imposing a penalty for non-compliance if the OCA finds a city to be non-compliant under a CIP audit and could no longer retain a service fee or 50 percent of the time payment fee.

The bill would amend the Transportation Code, Section 706.005(a) to require a political subdivision to immediately notify the Department of Public Safety that there is no cause to continue to deny renewal of a person’s driver’s license based on the person’s previous failure to appear or failure to pay or satisfy a judgment ordering the payment of a fine and cost.

The bill would be effective September 1, 2011.

Methodology

The bill would transfer the auditing of the court-related Collection Improvement Program (CIP) from the Comptroller of Public Accounts (CPA) to the Office of Court Administration (OCA). With the transfer of audit functions and the removal of mandatory participation by counties of certain population sizes, OCA anticipates a need for two full-time equivalents (FTEs) at Auditor IV positions, with a cost of $54,498 per FTE and a total salary cost of $108,996 to General Revenue per year. Additional expenses include travel, $20,000 per year; other operating expenses, $3,660 per year; and computer equipment costs, $4,556 in fiscal year 2012 with a four-year replacement schedule. In addition, benefits would cost $30,366 per fiscal year. The estimated cost of the audit function is $163,422 to $167,578 per year. The CPA reports that redirecting the existing staff currently performing court collections audits to taxpayer audits would result in additional General Revenue to the state ranging from $5.1 million to $5.7 million per year.

Changing county participation in the CIP to voluntary is anticipated to result in a revenue loss. OCA reported average additional revenue to the state from the mandatory CIP of $20.0 million per fiscal year (or an average of $256,316 per city or county per year). Currently 24 cities and 54 counties make up the 78 jurisdictions that fall under the mandatory CIP. Prior to mandatory requirements, approximately 37 percent, or 20 counties, of the mandatory counties participated on a voluntary basis. With the anticipated drop in compliance, the OCA estimates the revenue loss could be $8.7 million per year, which assumes 20 counties continue to participate and 34 counties do not participate ($256,316 x 34 counties = $8.7 million).

The fiscal note assumes that although compliance with program requirements will become voluntary, most jurisdictions will have recognized the benefit of maintaining the requirements. Natural attrition in court-level collection departments and other factors may reduce efficiencies in collections, but amounts shown in the impact table reflect that at least 50 percent of the 34 counties joining the program since 2005 would maintain the CIP requirements, which results in an estimated revenue loss of $4.4 million per year in All Funds ($256,316 x 17 = $4.4 million). Based on fiscal year 2010 state court cost revenues, 25.3 percent of that amount would be General Revenue; 54.8 percent would be General Revenue-Dedicated; and 19.9 percent would be Other Funds.

The OCA was unable to estimate the impact from changing the definition of eligible cases but the agency anticipates that there may be a negative impact since those cases are currently subject to the CIP. The OCA reported that any impact from allowing cities up to 180 days before applying the penalty to non-compliant cities may have a loss, but the agency does not anticipate that it would be significant.

Local Government Impact

The Office of Court Administration (OCA) reported the average additional revenue to local governments from the mandatory Collection Improvement Program (CIP) of $60.0 million per fiscal year (or an average of $768,948 per city or county per year). Currently 24 cities and 54 counties fall under the mandatory CIP. Prior to mandatory requirements, approximately 37 percent of the mandatory counties participated on a voluntary basis. With the anticipated drop in compliance, the OCA estimates the revenue loss could be $26.1 million per year, which assumes 20 counties continue to participate and 34 counties do not participate ($768,948 x 34 counties = $26.1 million).

Applying the same assumptions used for the state revenue, this analysis assumes that although compliance with program requirements may become voluntary, most jurisdictions will have recognized the benefit of maintaining the requirements. Natural attrition in court-level collection departments and other factors may reduce efficiencies in collections, but if at least 50 percent of the 34 counties joining the program since 2005 maintain the CIP requirements, it would result in an estimated revenue loss of $13.1 million per year to counties statewide ($768,948 x 17 = $13.1 million).

The Texas Association of Counties (TAC) reported that it is expected that each county will develop and implement a program to maximize collections regardless of whether the county is a part of the model program, and as a result, realize a positive fiscal impact. Some of the costs associated with the implementation of the model program is the requirement to implement the entire program and because conditions vary across the state, some of the portions of the model program are not appropriate for some counties. The bill would provide counties greater latitude in developing an appropriate collection program which is expected to improve collections in counties resulting in a positive fiscal impact. Therefore, the positive fiscal impact is based on an expectation of greater efficiency, not greater participation. (TAC did not provide specific detail on individual counties that would illustrate how an individual county anticipates a positive fiscal impact would be achieved.)

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts

LBB Staff: JOB, JT, ZS, JJO, LCO