

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 26, 2011

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

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

IN RE: HB3418 by Darby (relating to certain state fiscal matters related to natural resources or the environment.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3418, Committee Report 1st House, Substituted: a positive impact of \$2,273,556 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	\$1,070,278
2013	\$1,203,278
2014	\$1,206,278
2015	\$1,209,278
2016	\$735,278

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Petro Sto Tank Remed</i> <i>Acct</i> 655	Change in Number of State Employees from FY 2011
2012	\$1,395,225	(\$324,947)	\$21,124,000	4.0
2013	\$1,447,225	(\$243,947)	\$23,663,000	4.0
2014	\$1,450,225	(\$243,947)	\$23,807,000	4.0
2015	\$1,453,225	(\$243,947)	\$23,937,000	4.0
2016	\$1,005,225	(\$269,947)	\$2,007,000	4.0

Fiscal Analysis

Article 1 would authorize state agencies to reduce or recover expenditures by taking action to consolidate reports, extend license, permit or registration periods, enter into contracts to carry out an agency's duties, adopt additional eligibility requirements for benefits, provide for electronic communication, and adopt and collect fees or charges to recover costs incurred by an agency.

Article 2 would amend Chapter 161 of the Agriculture Code, regarding animal disease and pest control, to allow the Texas Animal Health Commission (TAHC) by rule to set and collect a fee for any service it provides that incurs a cost.

Article 3 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 through August 31, 2015 at reduced rates (17 to 20 percent below 2011 current rates). 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 4 of the bill partially implements recommendations in the report, "Require All Beneficiaries to Fund the Coastal Erosion Planning and Response Account," in the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-second Texas Legislature, 2011. Specifically, the General Land Office would be required to submit a coastal erosion report to the Legislature that includes a plan for coastal erosion response studies and projects.

Article 5 of the bill amends Chapter 183, Natural Resources Code, relating to the Texas Farm and Ranch Lands Conservation Program, eliminating the requirement for an applicant to demonstrate their ability to match 50 percent of the grant amount, and allow a donation of part of the appraised value of the easement as an in-kind match.

This bill would take effect September 1, 2011.

Methodology

Article 1: The extent to which an agency would use the authority granted in this section is unknown. Therefore, the impact of these changes is not included in the estimates shown above.

Article 2: This section of the bill 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. In consultation with stake-holders including 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 piroplasmiasis, chronic wasting disease, equine infectious anemia); and (2) fees for chronic wasting disease, quarantined animal and garbage feeder inspections. Laboratory testing fees are projected to generate \$731,500 per fiscal year. Inspection 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 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 gain included above only includes revenue projections for laboratory test and a limited subset of 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, printer, and a server with a network storage system (\$26,000). The implementation costs for fiscal year 2012 total \$324,947; decline to \$243,947 per fiscal year for fiscal years 2013 to 2015; and increase to \$269,947 in fiscal year 2016 to reflect replacement costs for computer hardware.

Article 3: Continues the petroleum products delivery fee at reduced rates, which under current law is scheduled to expire on August 31, 2011, through August 31, 2015. According to the Comptroller, extending the fee would generate an estimated \$431,000 to the General Revenue Fund for a 2% service charge and \$21,124,000 to the General Revenue-Dedicated Petroleum Storage Tank Remediation Account No. 655 in fiscal year 2012; \$483,000 to the General Revenue Fund and \$23,663,000 to the General Revenue-Dedicated Petroleum Storage Tank Remediation (PSTR) Account No. 655 in fiscal year 2013; \$486,000 to General Revenue and \$23,807,000 to PSTR Account No. 655 in 2014; and \$489,000 to General Revenue and \$23,907,000 to PSTR Account No. 655 in 2015. Further, the Comptroller estimates a small residual remittance of fees related to collection timing issues of \$41,000 to General Revenue and \$2,007,000 to the General Revenue-Dedicated Petroleum Storage Tank Remediation (PSTR) Account No. 655 in fiscal year 2016.

Articles 4 and 5: Neither of these provisions of the bill is anticipated to have a significant fiscal impact on the General Land Office.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 554 Animal Health Commission, 580 Water Development Board, 582 Commission on Environmental Quality, 712 Texas Engineering Experiment Station, 802 Parks and Wildlife Department

LBB Staff: JOB, KK, ZS, MM, TB, PM