

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 18, 2011

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB1579 by Ogden (Relating to state fiscal matters related to general government.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1579, As Introduced: a positive impact of \$7,990,144 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	\$5,307,072
2013	\$2,683,072
2014	\$2,758,072
2015	\$2,683,072
2016	\$2,758,072

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	Probable Revenue Gain/(Loss) from <i>Tx Preservation Trust</i> <i>Acc</i> 664	Probable Revenue Gain/(Loss) from <i>Telecommunications</i> <i>Revolving - IAC</i> 8125
2012	\$124,913	\$5,182,159	\$10,089,461	(\$2,550,000)
2013	\$50,913	\$2,632,159	\$0	\$0
2014	\$125,913	\$2,632,159	\$0	\$0
2015	\$50,913	\$2,632,159	\$0	\$0
2016	\$125,913	\$2,632,159	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2011
2012	(0.5)
2013	(0.5)
2014	(0.5)
2015	(0.5)
2016	(0.5)

Fiscal Analysis

Article 1 of the bill 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 of the bill would implement recommendations from 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 Texas Legislature, 2011. The bill would expand the Texas Facilities Commission (TFC)'s authority related to the operations of state-owned parking lots and garages by authorizing TFC to lease excess parking spaces, those not used by state employees, to public motorists. The bill would also authorize TFC to lease an entire parking facility, or a significant part of a facility, to an institution of higher education or local government. The bill would direct revenue received from leasing operations to be deposited to the General Revenue Fund. The bill would require TFC to report biennially on the use and effectiveness of leased parking operations. Article 2 provisions would take immediate effect upon receiving two-thirds vote in both houses; otherwise, the provisions would take effect September, 1, 2011.

Article 3 of the bill would implement two recommendations from the report "Implement Strategies to Increase the Transparency of the State Constitutional Debt Limit" in the Legislative Budget Board's *Government Effectiveness and Efficiency Report*, submitted to the Eighty-second Texas Legislature, 2011. The bill would permit the Bond Review Board (BRB) to use common or standard debt issuance practices to make changes to the assumptions used for estimating debt service amounts for any unissued debt included in the constitutional debt limit (CDL) calculation. This could include changes to assumptions for interest rates, debt maturity, and debt service payment structures. The impact to the debt limit would depend upon what, if any, changes the BRB makes to the current assumptions it uses for unissued debt. The bill would also require the BRB to publish an explanation of how the CDL is calculated, including debt service amounts for issued and unissued debt and the assumptions regarding unissued debt. Article 3 provisions would take immediate effect upon receiving two-thirds vote in both houses; otherwise, the provisions would take effect September, 1, 2011.

Article 4 of the bill would implement recommendations in the report, "Eliminate Paper Warrants by Using Direct Deposit or E-Pay Card," in the Legislative Budget Board's *Government Effectiveness and Efficiency Report* submitted to the Eighty-Second Texas Legislature, 2011. The bill would amend the Government Code to allow state employees and annuitants to choose either direct deposit or an electronic pay card to receive payment of state funds. This provision would eliminate the paper warrant option currently available to state employees and annuitants. Article 4 provisions would take effect January 1, 2012.

Article 5 of the bill 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 legislature, replacing such publications with the same information provided electronically on the agency's website. This change would not apply to a contract for the publication of laws entered into prior to the effective date of the bill. Article 5 provisions would take immediate effect upon receiving two-thirds vote in both houses; otherwise, the provisions would take effect September, 1, 2011.

Article 6 of the bill would authorize three specific fees for the Office of Attorney General (OAG): a reasonable fee for documents filed electronically with the agency; a fee to review state agency invoices relating to the use of outside legal services, upon request of a party to an outside counsel contract; and a reasonable fee for review of the legal sufficiency of proposed comprehensive development agreements for toll projects in accordance with Texas Transportation Code Section 371.051. Article 6 provisions would take immediate effect upon receiving two-thirds vote in both houses; otherwise, the provisions would take effect September, 1, 2011.

Article 7 of the bill would authorize money in the Preservation Trust Fund to be used on the operating expenses of the Texas Historical Commission (THC). The bill would eliminate references to distributions made to the account and repeal provisions authorizing the Comptroller of Public Accounts to manage the assets of the account under certain requirements and rules for investment and distribution of funds. The bill would require the Comptroller and THC to enter into a memorandum of understanding to facilitate the conversion of assets of the fund into cash for deposit into the state

treasury using a method that provides for the lowest amount of revenue loss. Article 7 provisions would take effect November 1, 2011.

Article 8 of the bill would transfer the operations of the Texas State Cemetery from the Texas Facilities Commission to the State Preservation Board.

Article 9 of the bill would clarify the appropriate expenditure of revenue derived from the collection of fees imposed by the agency, including: to develop statewide information resources technology policies; and providing shared information resources technology services and network security services. The bill would also direct the Comptroller of Public Accounts to transfer excess funds from the telecommunications revolving fund, as certified by the Department of Information Resources, to the credit of the General Revenue Fund. Article 9 provisions would take immediate effect upon receiving two-thirds vote in both houses; otherwise, the provisions would take effect September 1, 2011.

The provisions of the bill would take effect September 1, 2011, unless otherwise noted.

Methodology

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

The LBB estimates that implementing the provisions contained in Article 2 of the bill would result in General Revenue gains of \$887,471 per 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 will 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.

This analysis assumes any additional costs related to the provisions of the bill contained in Article 3 could be absorbed within existing agency resources.

The extent to which the provisions contained in Article 4 of the bill would reduce CPA administrative costs cannot be determined until full implementation is achieved in fiscal year 2013. This analysis assumes that any administrative costs incurred from transitioning to electronic pay cards would be offset from savings that would be generated from requiring fewer resources to process paper warrants. Additionally, state agencies would also be expected to see savings as evidenced by other agencies that currently disburse benefits and payments via electronic pay card.

The Secretary of State estimates that implementing the provisions contained in Article 5 of the bill would result in General Revenue savings of \$75,000 in each even-numbered year.

The OAG estimates that the administrative costs associated with the implementation of the electronic filing provisions contained in Article 6 of the bill can be absorbed within current resources and that the collection of electronic filing fees would result in an annual revenue gain of \$535,054 in General Revenue Funds in each fiscal year beginning in fiscal year 2012. The OAG also estimates that the administrative costs associated with the implementation of comprehensive development agreement fees can be absorbed within current resources and that the collection of fees associated with comprehensive development agreement reviews would result in an annual revenue gain of \$1,209,634 in General Revenue Funds in each fiscal year beginning in fiscal year 2012. Because the bill authorizes the OAG to charge and collect a review fee on outside legal counsel invoice reviews only

upon request of a party to the contract, the agency estimates that this provision would have no fiscal impact, and does not estimate the collection of related fees.

This analysis assumes the bill's provisions contained in Article 7 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.

This analysis assumes that, in implementing the provisions contained in Article 8, all direct costs associated with the operation and maintenance of the state cemetery would transfer from the Texas Facilities Commission to the State Preservation Board with no reduction. It is also assumed that the transfer would result in savings related to indirect administrative expenses, estimated to be \$114,319 in General Revenue, and 1.5 full-time equivalent positions, per year.

The provisions contained in Article 9 of the bill would transfer existing fund balances from the Department of Information Resources' (DIR) telecommunications revolving fund to the General Revenue Fund. The estimated unexpended balance in the revolving fund for the fiscal year ending August 31, 2011 is \$2,550,000.

Local Government Impact

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

Source Agencies: 302 Office of the Attorney General, 303 Facilities Commission, 304 Comptroller of Public Accounts, 307 Secretary of State, 347 Public Finance Authority, 352 Bond Review Board, 808 Historical Commission, 809 Preservation Board, 313 Department of Information Resources

LBB Staff: JOB, KY, BTA, JJO, EP, KK, JI, YD