

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: SB1585 by Ogden (Relating to state fiscal matters regarding business and economic development.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1585, As Introduced: a positive impact of \$1,233,578 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	\$616,789
2013	\$616,789
2014	\$616,789
2015	\$616,789
2016	\$616,789

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund 1</i>	Probable Revenue Gain/ (Loss) from <i>Rail Relocation and Improvement Fund</i>	Change in Number of State Employees from FY 2011
2012	\$616,789	\$39,373,000	9.0
2013	\$616,789	\$45,113,000	9.0
2014	\$616,789	\$47,150,000	9.0
2015	\$616,789	\$49,100,000	9.0
2016	\$616,789	\$51,161,000	9.0

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.

Articles 2 and 3 of the bill would implement recommendations in the report "Maximize the Federal Funds Texas Receives for Transportation" in the Legislative Budget Board's *Government Effectiveness and Efficiency Report* submitted to the Eighty-second Texas Legislature, 2011. Article 2 would amend the Transportation Code to require the statewide transportation plan to include an evaluation of future federal funding opportunities for all modes of transportation and require TxDOT to work with local

transportation planning entities to maximize the amount of federal funds awarded for projects. The bill would require the Texas Department of Motor Vehicles (DMV) to establish, implement, and administer the terms of the uniform program for hazardous materials transportation registration and permitting. The bill would amend the Code of Criminal Procedure to require a peace officer to include the race or ethnicity of each passenger involved in a motor vehicle stop.

Article 3 of the bill would remove dyed diesel fuel for a railway engine from the list of exemptions to which the diesel fuel tax applies and prohibit a person from making a tax-free purchase of dyed diesel fuel for a railway engine. The bill would authorize a credit or refund for use of diesel fuel to operate a railway engine in another state. The bill would require taxes on diesel fuel used for a railway engine to be deposited to the Texas Rail Relocation and Improvement Fund.

Article 4 of the bill would implement a recommendation in the report "Restructure the Highway Maintenance Fee to Better Align it with Road Maintenance and Repair Costs," in LBB's *Government Effectiveness and Efficiency Report* submitted to the Eighty-second Texas Legislature, 2011. This article requires TxDOT to evaluate highway use in this state by oversize or overweight vehicles, calculate the cost of damage caused by those vehicles, determine whether fees charged for permits issued are adequate to offset costs, and recommend any fee adjustments for permits to reflect the cost of damage to highways caused by those vehicles. TxDOT would be required to adopt rules to implement a highway maintenance fee based on vehicle weight and distance traveled and establish a schedule of rates based on miles traveled for all vehicle weight categories that provides for an increase in the rates according to the weight of a vehicle.

Article 5 of the bill would amend the Government Code to transfer the Texas Department of Rural Affairs (TDRA) and all of its functions to the Office of Rural Affairs within the Department of Agriculture (TDA) on September 1, 2011.

Methodology

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

It is assumed that TxDOT could absorb the cost resulting from any requirements that would be implemented by Article 2 of the bill. DMV reports that new regulations would be required for implementation of the uniform program for hazardous materials transportation registration and permitting program and that the current fee structure could be impacted. This analysis that costs to implement the program could be absorbed within current agency resources. The additional amount of federal funds the state would receive as a result of implementing recommendations in the bill cannot be determined due to the competitive nature of discretionary transportation grants.

The estimate of the provisions of Article 3 of the bill which would capitalize the Rail Relocation and Improvement Fund was based on the *2012-13 Biennial Revenue Estimate* and are based on the number of gallons of dyed and undyed diesel fuel that would be subject to the diesel fuel tax. An allowance was made for the estimated amount of diesel fuel that would be used to operate railway engines in other states and therefore subject to a refund. An allowance was also made for some change in purchasing patterns due to the increased price of railroad fuel in Texas relative to other states that would occur from the impositions of the tax. The estimate for fiscal year 2012 includes a lag in motor fuel tax remittances.

TxDOT already has authority to issue bonds backed by the Rail Relocation and Improvement Fund. This analysis does not estimate the amount of bonds that would be issued or the associated financing costs that would be payable from the Rail Relocation and Improvement Fund.

It is anticipated that any costs incurred by TxDOT as a result of requirements in Article 4 of the bill relating to oversize/overweight vehicle permitting and the highway maintenance fee could be absorbed within existing agency resources. Restructuring the highway maintenance fee could result in a net revenue gain; however, this cannot be determined without information on how the rates would be set.

This analysis assumes that the bill would achieve certain administrative savings by transferring TDRA

to TDA. These savings are estimated to include \$454,392 out of the General Revenue Fund and 5.0 FTEs in each fiscal year. These amounts include \$164,482 out of the General Revenue Fund and 2.0 FTEs from the Rural Policy and Research strategy in each fiscal year, \$211,297 out of the General Revenue Fund and 2.0 FTEs out of Central Administration in each fiscal year, and \$78,613 out of the General Revenue Fund and 1.0 FTE from Information Resources in each fiscal year.

In addition to these administrative savings, it is assumed that \$162,397 out of the General Revenue Fund and 4.0 FTEs could be saved by eliminating certain rural offices of TDRA. It is assumed that any federal funds, which would be saved by eliminating certain offices of TDRA would be used for additional grants.

Technology

Article 2 of the bill which would require DMV to establish, implement, and administer the terms of the uniform program for hazardous materials transportation registration and permitting would require programming to facilitate the processing of registration credentials, permit applications, and related Uniform Program requirements. No other provisions of the bill are anticipated to have a technology impact.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 357 Texas Department of Rural Affairs, 362 Texas Lottery Commission, 405 Department of Public Safety, 407 Commission on Law Enforcement Officer Standards and Education, 551 Department of Agriculture, 116 Sunset Advisory Commission, 601 Department of Transportation, 608 Department of Motor Vehicles

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