LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 28, 2011

TO: Honorable David Dewhurst, Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: **SB1811** by Duncan (Relating to certain state fiscal matters; providing penalties.),
Conference Committee Report

Estimated Two-year Net Impact to General Revenue Related Funds for SB1811, Conference Committee Report: a positive impact of $7,696,187,978 through the biennium ending August 31, 2013.

The bill would also result in a $141,680,500 loss to the Property Tax Relief Fund 304 for the biennium ending August 31, 2013. Therefore the bill would have a net positive impact of $7,554,507,478 to General Revenue funds for the biennium.

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	$2,088,294,665
2013	$5,607,893,313
2014	$1,427,686,821
2015	$2,152,333,371
2016	$2,157,395,571

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from *General Revenue Fund* 1	Probable Savings/ (Cost) from *New General Revenue Dedicated - Oil and Gas Acct*	Probable Savings/ (Cost) from *Oil-field Cleanup Acct* 145	Probable Savings/ (Cost) from *Federal Funds* 555
2012	$1,989,994,729	($50,300,000)	$27,500,000	($11,413,511)
2013	$2,123,894,822	($50,300,000)	$27,500,000	($11,385,468)
2014	$1,759,194,330	($50,300,000)	$27,500,000	($11,385,468)
2015	$1,990,419,330	($50,300,000)	$27,500,000	($11,385,468)
2016	$1,990,594,330	($50,300,000)	$27,500,000	($11,385,468)

Fiscal Year	Probable Savings/ (Cost) from *Foundation School Fund* 193	Probable Savings/ (Cost) from *GR Dedicated Accounts* 994	Probable Savings/ (Cost) from *Other Special State Funds* 998	Probable Savings/ (Cost) from *State Highway Fund* 6
2012	($11,750,000)	($2,037,712)	($9,569,872)	($10,850,382)
2013	$2,301,788,000	($2,032,706)	($9,546,359)	($10,823,723)
2014	$0	($2,032,706)	($9,546,359)	($10,823,723)
2015	$0	($2,032,706)	($9,546,359)	($10,823,723)
2016	$0	($2,032,706)	($9,546,359)	($10,823,723)

Fiscal Year	Probable Savings/ (Cost) from *RETIRED SCHOOL EMP GROUP INSURANCE* 989	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *Petro Sto Tank Remed Acct* 655	Probable Revenue Gain/(Loss) from *State Parks Acct* 64
2012	$0	$110,049,936	$21,124,000	$1,600,000
2013	($133,675,492)	$1,316,548,491	$23,663,000	$1,600,000
2014	$0	($465,845,509)	$23,807,000	$1,600,000
2015	$0	$161,914,041	$23,937,000	$1,600,000
2016	$0	$166,801,241	$2,007,000	$1,600,000

Fiscal Year	Probable Revenue Gain/(Loss) from *New General Revenue Dedicated - Oil and Gas Acct*	Probable Revenue Gain/(Loss) from *Oil-field Cleanup Acct* 145	Probable Revenue Gain/(Loss) from *Tx Preservation Trust Acc* 664	Probable Revenue Gain/(Loss) from *Insurance Trust Fund* *973*
2012	$79,097,500	($55,201,000)	$10,089,461	$105,424,456
2013	$48,897,500	($25,111,000)	$0	$105,224,458
2014	$48,897,500	($25,268,000)	$0	$105,224,458
2015	$48,897,500	($25,483,000)	$0	$105,224,458
2016	$48,897,500	($25,696,000)	$0	$105,224,458

Fiscal Year	Probable Revenue Gain/(Loss) from *DIR Clearing Fund Account - AR* 8122	Probable Revenue Gain/(Loss) from *Telecommunications Revolving - AR* 8123	Probable Revenue Gain/(Loss) from *DIR Clearing Fund Account - IAC* 8124	Probable Revenue Gain/(Loss) from *Telecommunications Revolving - IAC* 8125
2012	$272,351	$226,863	$116,722	$1,550,119
2013	$256,572	$221,938	$109,960	$1,506,890
2014	$0	$0	$0	$0
2015	$0	$0	$0	$0
2016	$0	$0	$0	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *Statewide Technology Account - IAC* 8126	Probable Revenue Gain/(Loss) from *Tobacco Education/Enforce* 5044	Probable Revenue Gain/(Loss) from *Children & Public Health* 5045	Probable Revenue Gain/(Loss) from *Ems & Trauma Care Account* 5046
2012	$365,729	$10,562,519	$5,281,258	$5,281,258
2013	$344,541	$28,481,408	$14,240,704	$14,240,704
2014	$0	$0	$0	$0
2015	$0	$0	$0	$0
2016	$0	$0	$0	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *Oper & Chauffeurs Lic Ac* 99	Probable Revenue Gain/(Loss) from *Cities*	Probable Revenue Gain/(Loss) from *Transit Authorities*	Probable Revenue Gain/(Loss) from *Counties and Special Districts*
2012	$0	$16,824,000	$4,975,000	$3,830,000
2013	$0	$18,745,000	$5,175,000	$5,249,000
2014	($21,300,000)	$20,388,000	$5,275,000	$6,693,000
2015	($21,300,000)	$21,127,000	$5,475,000	$6,943,000
2016	($21,300,000)	$21,871,000	$5,675,000	$7,198,000

Fiscal Year	Probable Revenue Gain/(Loss) from *Property Tax Relief Fund* 304	Probable Revenue Gain/(Loss) from *Jud & Court Training Fd* 540	Probable Revenue Gain/(Loss) from *Available School Fund* 2	Probable Revenue Gain/(Loss) from *State Highway Fund* 6
2012	($71,684,750)	($11,716,000)	$0	$0
2013	($69,995,750)	($10,660,000)	($134,338,000)	$403,016,000
2014	$5,557,250	($10,660,000)	$134,338,000	$403,016,000
2015	$5,727,250	($10,660,000)	$0	$0
2016	$5,311,000	($10,660,000)	$0	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *New General Revenue Dedicated - Jud Ed Acct*	Change in Number of State Employees from FY 2011
2012	$11,716,000	14.0
2013	$10,660,000	14.0
2014	$10,660,000	14.0
2015	$10,660,000	14.0
2016	$10,660,000	14.0

Fiscal Analysis

Article 1 would defer the Foundation School Program (FSP) payment to school districts scheduled for August of fiscal year 2013 to not earlier than September 5th of the following fiscal year.

Article 2 would implement a recommendation in the report, "End the Use of General Revenue Funds to Pay for Insurance Company Examinations," in the Legislative Budget Board’s Government Effectiveness and Efficiency Report, submitted to the Eighty-second Texas Legislature, 2011, by repealing insurance premium tax credits for examination fees. This provision would apply to examination fees or evaluations paid in calendar year 2012 or 2013 and the provision would expire on January 1, 2014.

Article 3 would partially implement recommendations from the report, "Strengthen Sales Tax Enforcement Related to Customs Brokers and Increase the Charge for Export Stamps," in the Legislative Budget Board's (LBB) Government Effectiveness and Efficiency Report submitted to the Eighty-Second Legislature, 2011. The bill would amend Chapter 151, Tax Code relating to customs brokers. The bill would eliminate the requirement that the comptroller provide an alternate method to show documentation of exemption of tangible personal property when the website for such documentation is unavailable. The bill would provide that the comptroller may suspend or revoke a customs broker license if the licensee does not comply with statute or issues false documentation. The bill would require that export documentation include a declaration that the customs broker or authorized employee inspected the property and the original receipt for the property. The bill would increase the charge for each export stamp from $1.60 to $2.10 and require the increase to be used for enforcement of the laws relating to customs brokers.

Article 4 would partially implement recommendations from the report, "Phase out Economic Development Tax Refunds," in the Legislative Budget Board's (LBB) Government Effectiveness and Efficiency Report submitted to the Eighty-Second Legislature, 2011. This bill would repeal Subchapter F of Chapter 111 of the Tax Code, regarding tax refunds for certain ad valorem taxpayers in reinvestment zones.

Article 5, relating to tax records, would amend the Occupations Code and the Tax Code to extend the amount of time that taxpayers must keep records such as electronically stored images of documents. Specifically, Section 111.0041 of the Tax Code would be amended to extend the time to at least four years that taxpayers would be required to maintain records to substantiate and verify a claim regarding the taxes, penalties, and interest. Conforming changes would be made elsewhere in the Tax Code and the Occupations Code.

Article 6 would implement the recommendation in the report, "Reduce the Unclaimed Property Dormancy Period for Certain Property Types" in the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-second Legislature, 2011. It would decrease the unclaimed property dormancy period for utility deposits from three years to one year; money orders from seven years to three years; and bank deposits, savings accounts, and matured certificates of deposits from five years to three years. The bill would increase the maximum service, maintenance, or other charge from 50 cents to $1 that money order companies can assess before the property is defined as abandoned under the Property Code. Article 6 would move the deadline for businesses to transfer unclaimed property to the Comptroller from November 1 to July 1. As a result, three unclaimed property transfers would occur in the 2012-13 biennium. There would be two transfers in all future biennia, but with a new July 1st transfer deadline. Article 6 would also authorize the Comptroller to sell unclaimed securities upon receipt from the companies that hold them, as well as from time to time. Current law does not specifically permit the Comptroller to sell securities upon receipt.

Article 7 of the bill would change the classification of the Judicial and Court Personnel Training Fund No. 540 from Other Funds to a dedicated account within the General Revenue Fund.

Article 8 of the bill would amend the Government Code to allow the Process Server Review Board to recommend to the Supreme Court fees to be charged for the certification and renewal of certification of process servers. The Supreme Court would have to approve the fees before the fees could be collected. The proposed amendment also provides that the Office of Court Administration may collect the fees and that the fees collected shall be sent to the Comptroller for deposit into the General Revenue Fund. The bill would allow fees collected to be appropriated for the support of regulatory programs for process servers and guardians.

Article 9 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 with no expiration date and at the same rate as in fiscal 2011. The fee would continue to be imposed on the delivery of virtually all petroleum products withdrawn from bulk storage at various rates on each delivery, based on cargo tank capacity, and would range from $3.75 to $15 per delivery. 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 10 would impact the collection of certain motor fuel taxes. The bill would amend various chapters of the Tax Code to require tax remittances on motor fuel taxes and delay the transfer of motor fuels taxes from general revenue to the State Highway Fund and Fund 002 that would normally occur in August 2013. The revenue would be deposited in September 2013.

Article 11 would impact collections of mixed beverage taxes and takes and fees on certain alcoholic beverages. The bill would amend various chapters of the Alcoholic Beverage Code to require tax remittances for the month of September to be paid in August for certain taxes in odd-numbered years.

Article 12 would reduce the cigarette tax distributors' discount from three percent to two and a half percent.

Article 13 would amend Tax Code to redefine sale for resale. This provision would take effect immediately if the bill received the requisite two-thirds vote of each chamber; otherwise, it would take effect September 1, 2011.

Article 14 would impact collections of sales and use taxes. The bill would amend various chapters of the Tax Code to require tax remittances on sales and use tax.

Article 15 would amend statute regarding reports by wholesaler and distributors of beer, wine, and malt liquor, as Section 151.461 in new Subchapter I-1, regarding reports by persons involved in the manufacture and distribution of alcoholic beverages, and add new subsections with that subchapter. Article 15 would expand who would be required by the Comptroller's Office to file a monthly report on alcoholic beverage sales to retailers. Article 15 would provide the Comptroller the authority to inspect and conduct audits to ensure compliance; impose civil and criminal penalties for violations; bring forth a suit to enforce these provisions; and adopt rules to implement these provisions. The bill would amend Chapter 111 of the Tax Code, regarding collection procedures for state taxes, to require the Comptroller's Office to disclose information from the sales reports required under Section 151.462of this Code.

Article 16, relating to the penalties for failure to report or remit certain taxes or fees, would amend the Tax Code and the Health and Safety Code to add a penalty of $50 for a person who fails to file certain reports required under the codes. The penalty would be in addition to any other authorized penalties, and without regard to whether the person subsequently files the report or whether any taxes or fees were due. The bill's provisions would apply to several taxes including the sales and use tax and motor vehicle rental and seller financed taxes.

Article 17, regarding voter registration, would amend Chapters 18 and 19 of the Election Code to remove the requirement that the Secretary of State (SOS) notify the Comptroller's Office of statutory noncompliance by voting registrars, and when a registrar has corrected the violation and is insubstantial compliance; remove the requirement that registrars submit notices to the Comptroller regarding voter registrations; replace the Comptroller with the SOS in making authorized payments to registrars; and repeal Section 19.002(c), which allows the Comptroller to require proof before issuing a warrant.

Article 18, regarding certain powers and duties of the Comptroller of Public Accounts, to expand the Comptroller's warrant hold offset authority to include state employee lump sum payments.

Article 19, regarding preparation and publication of certain reports and other materials, would amend Chapter 61 of the Education Code and Chapter 5 of the Tax Code to require the electronic publication of various reports. The Comptroller would be allowed to charge a reasonable fee to offset the costs of preparing materials. The bill repeals Section 403.030, regarding information on economic development activities, and 552.143(e) of the Government Code; and Chapter 379A of the Local government Code, regarding a report to the Comptroller by municipal development corporations.

Article 20, regarding surplus lines and independently procured insurance, would amend Chapter 225and 226 of the Insurance Code to comply with the requirements of the Non- admitted and Reinsurance Reform Act (NRRA) of 2010. Under the provisions of the bill, this state could not impose a premium tax on non-admitted insurance for policies in which this state is not the home state of the insured. If this state has not entered into a cooperative agreement or compact with another state for the collection of non-admitted insurance tax, the tax would be computed on the entire premium for any policy in which this state is the home state. If this state has entered into a cooperative agreement or compact with another state, taxes due on multi-state policies would be allocated in accordance with the agreement or compact. The bill would allow the Comptroller to establish an alternate basis for taxation of non-admitted policies for the purposes of achieving uniformity. The bill would repeal Insurance Code Sections 225.004(d) and (d-1), and Sections 226.053(b-1) and (c), which would conflict with the provisions of NRRA.

Article 21 would end eligibility to redeem Early High School Graduation Scholarships awards issued prior to fiscal year 2012 effective for fiscal year 2018 and would close the program to new awards effective for fiscal year 2012. The bill would eliminate automatic transfers of funding from the Foundation School Program (FSP) to the Texas Higher Education Coordinating Board (THECB) for purposes of funding certain tuition exemption programs and repeal section 56.210 of the Education Code.

Article 22 would allow the state contribution to the Teacher Retirement System (TRS) pension trust fund for public education and higher education retirement to be less than contributions of active members for the fiscal ending August 31, 2012.The bill would also allow the state contribution to the TRS-Care insurance program to be less than 1.0 percent of total active payroll for fiscal year ending August 31, 2013.

Article 23 relates to coastal erosion reporting.

Article 24 would implement a recommendation in the report, "Increase Private Contributions for State Parks" in the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-second Legislature, 2011. The bill would establish a system in which motorists can voluntarily donate $5 or more with the vehicle registration to the Texas Parks and Wildlife Department.

Article 25 relates to oil and gas regulation.

Article 26 would implement a recommendation in 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 Legislature, 2011. The bill would expand the Texas Facilities Commission authority related to the operations of state-owned parking lots and garages by authorizing the agency to lease excess parking spaces and facilities.

Article 27 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 legislation, replacing such information with an electronic version on the agency’s website.

Article 28 would authorize three specific fees for the Office of the Attorney General.

Article 29 would authorize money in the Preservation Trust Fund to be used for operation expenses of the Texas Historical Commission.

Article 30 would clarify the appropriate expenditure of revenue derived from the collection of fees imposed by the Department of Information Resources.

Article 31 would implement a recommendation in 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 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 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 32 relates to fiscal matters concerning continuing legal education for Office of Attorney General attorneys.

Article 33 would increase lobby registration fees.

Article 34 would implement a recommendation in the report, "Implement a Tobacco User Surcharge on Employees Retirement System Health Premiums" in the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-second Legislature, 2011. The bill would require the Employees Retirement System to apply a monthly tobacco user premium differential which could be set in the General Appropriations Act.

Article 35 would allow the Texas Veterans Commission to analyze data from the U.S. Department of Health and Human Services' Public Assistance Reporting Information System to improve benefit coordination for Texas veterans.

Article 36 makes changes to statutes governing the state’s regional poison control centers’ management controls and efficiency.

Article 37 would expand the use of three tobacco settlement funds to pay the principal or interest on a bond issued on behalf of the Cancer Prevention and Research Institute of Texas, including: the Permanent Fund for Health and Tobacco Education and Enforcement; the Permanent Fund for Children and Public Health; and the Permanent Fund for Emergency medical Services and Trauma Care. Article 37 provisions would take immediate effect upon receiving two-thirds vote in both houses; otherwise, the provisions would take effect September, 1, 2011.

Article 38 would require the ERS board to assess an enrollment fee on each state and higher education employer whose employees participate in the ERS group benefits program. The amount of the fee would be determined by the General Appropriations Act. The ERS board would deposit the enrollment fees to the credit of the employee’s life, accident, and health insurance and benefits fund.

Article 39 relates to surplus and salvage property.

Article 40 of the bill would amend the Government Code relating to allocation of court costs so that the portion previously allocated to the Operator's and Chauffeur's License Fund 99 would be re-allocated to the LECOS Retirement Fund. This provision of the bill would take effect September 2, 2012 and would therefore have no fiscal impact in the 2012-13 biennium.

Article 41 relates to the collection and allocation of certain sales and use tax. The bill would amend Section 151.008(b) to provide that the terms "seller" and "retailer" include a person who by agreement with an owner of tangible personal property has been entrusted with possession of and authority to sell, lease, or rent the property without additional action on the part of the owner.

The bill would amend Section 151.107 to provide that a "retailer engaged in business in this state" includes a retailer that (1) holds a substantial ownership in, or is owned in whole or substantial part by, a person who maintains a business location in this state if the retailer sells substantially the same product line and does so under substantially the same business name as the related retailer or if the facilities or employees of the related person in this state are used to advertise, promote, or facilitate sales by the retailer or are used to maintain a marketplace in this state for the retailer, exchanging returned merchandise; or (2) holds a substantial ownership in, or is owned in whole or substantial part by, a person that maintains a distribution center, warehouse, or similar location in this state that delivers property sold by the retailer.

Article 42 relates to the extension of certain franchise tax credits.

Article 43 would allow the Comptroller to enter into contracts with procurement specialists to more effectively and inexpensively procure items purchased and used by state agencies. The specialist would be paid from the cost savings generated.

Article 44 would change the period for the sales and use tax holiday from the period beginning at12:01 a.m. on the third Friday in August and ending at 12 a.m. on the following Sunday, to a period beginning at 12:01 a.m. on the first Friday in August and ending at 12 a.m. on the following Sunday.

Article 45 would amend several sections of the Government Code related to the development of state budgets and the publication of related documentation, including: requiring the Legislative Budget Board (LBB) to hold public hearings each state fiscal year to hear a report from the comptroller on the financial condition of the state and receive public testimony; requiring the LBB to hold public hearings on interim budget reduction requests from state agencies; requiring the Comptroller of Public Accounts to publish data related to revenue from fees; and amending procedures related to the Cash Management Committee.

Article 46 of the bill would amend the Government Code relating to the Texas Back to Work Initiative and the Skills Development Fund and would require the Governor to transfer money from the Texas

Enterprise Fund (TEF) to the Texas Back To Work initiative and the Skills Development Fund administered by the Texas Workforce Commission upon an appropriation made by the Legislature. The bill would also recreate the Skills Development Fund established under the Labor Code, Section 303.003.

Article 47 would provide a homestead exemption for surviving veteran spouses.

Article 48 extends the small business franchise tax exemption at $1,000,000 until 2014.

Article 49 stipulates that reimbursements and payments to prosecuting attorneys not be made in an amount greater than amounts authorized in the General Appropriations Act.

Article 50 relates to fiscal matters concerning process servers and entitles a person appointed to the process server review board to reimbursement for actual and necessary expenses incurred in traveling and performing official board duties and requires the office to establish a certification division.

Article 51 relates to fiscal matters regarding reimbursement of jurors and entitles a person who reports for jury service to receive reimbursement for travel and other expenses.

Article 52 of the bill would amend the Code of Criminal Procedure Article 103.0033 by transferring audit responsibilities for the court-related Collection Improvement Program (CIP) from the Comptroller of Public Accounts (CPA) to the Office of Court Administration (OCA).

Article 53 would amend Government Code, Chapter 501, to decrease the number of public members appointed to the Correctional Managed Health Care Committee from nine to six, and require the committee to take certain actions relating to contracts.

Article 54 would expand the allowable use of the Texas Enterprise Fund to include grant awards under the Texas homeless housing and services program, administered by the Texas Department of Housing and Community Affairs.

Article 55 would transfer responsibility for uniform grant and contract management from the Office of the Governor to the Comptroller of Public Accounts.

Article 56 expands certain franchise tax exemptions to live entertainment events, couriers and PACs.

Article 57 would change the required content of the annual report for the Texas Emerging Technology Fund, change committee appointment procedures, require financial statements and specify committee meetings procedures.

Article 58 would amend Chapter 23 of the Tax Code to add beekeeping for the purpose of pollination, food production, or production of other commercial products to the list of activities that could qualify land for the reduced agricultural use property tax appraisal if the activity is at the degree of intensity generally accepted in the area and meets other existing requirements. The bill would provide that land used for these purposes could not be less than five acres but not more than 20 acres. The bill's provision that would add beekeeping to the list of land uses that could result in a reduced property tax appraisal would create a cost to units of local government and to the state through the school funding formula. The determination of the number of acres per beehive that could qualify would be left up to chief appraisers. The chief appraisers' determinations on the acceptable level of intensity standards and resulting qualification determinations under the bill are unknown. Further, the number of beekeeping agricultural use applications that would be submitted under the bill is unknown. The bill would take effect on January 1, 2012.

Article 59 relates to a tax on retail or commercial business and amends Section 321.002 of the Tax Code, effective September 1, 2011.

Article 60 relates to farm and ranch lands conservation program.

Article 61 allows state contribution rates for ERS and LECOS to be less than the member contribution rate for fiscal year 2012. The bill would also allow DPS, TRS, ERS and TWC to provide the Comptroller with certain information regarding individuals from their records every five years rather than annually.

Article 62 would allow the Comptroller to collect data for unclaimed property search every five years, instead of every year.

Article 63 would amend Chapter 11 of the Tax Code, regarding property taxation and exemptions, to change the definition of "goods-in-transit" to require that the personal property be stored under a contract of bailment by a public warehouse operator at one or more public warehouses that are not in any way owned or controlled by the owner of the personal property.

Article 64 would implement the recommendation in the report, "Limit Advanced Placement Incentive Program Exam Fee Subsidies and End Campus Awards," in the Legislative Budget Board’s Government Effectiveness and Efficiency Report submitted to the Eighty-Second Texas Legislature, 2011 by funding the cost of examinations for students who demonstrate financial need in accordance with adopted guidelines.

Article 65 would limit eligibility for Educational Aide tuition exemptions to persons seeking certification in teacher shortage areas, as determined by the Commissioner.

Article 66 would exclude physical education curriculum from counting towards contact hours used to determine a junior college’s proportionate share of the state money appropriated.

Article 67 relates to the franchise tax classification of certain entities as retails.

Article 68 relates to the retention of certain FSP payments.

Article 69 would amend Chapter 42 of the Education code to reduce a district’s additional state aid for tax relief in proportion to the degree to which its adopted maintenance and operations tax rates is below its compressed tax rate, applying beginning with tax rates adopted for the 2009 tax year.

Article 70 would remove the CPA from the Texas Guarantee Student Loan Board, authorize the Governor to appoint an additional member to the Board and authorize the Governor to appoint the Board of the Chair.

Article 71 relates to driver’s license and personal identification certificates.

Article 72 relates to mineral funds outside of the treasury for Texas A&M University System, Texas State University System, Texas Tech University and Texas A&M Kingsville.

Article 73 relates to the Foundation School Program financing and reporting.

Article 74 would require sports officials by the University Interscholastic League to undergo criminal background verification. This provision of the bill would have no significant fiscal impact.

Article 75 of the bill would make structural changes in the Foundation School Program that would result in significant state savings in fiscal year 2012 and continuing thereafter.

Article 76 would amend the allocation of mixed beverage tax reimbursements to cities and would be effective on September 1, 2013.

The provisions of this bill would be effective September 1, 2011 except as otherwise provided.

Methodology

For Article 1 of the bill, the effect of deferring the August FSP payment in fiscal year 2013 to September of the following fiscal year is that a total of 23 monthly FSP payments would be dispersed during the 2012-13 biennium. Under current law funding of the FSP, this deferral would result in a one-time savings of $2.3 billion in fiscal year 2013. However, any statutory reduction to school districts' FSP entitlements would decrease the savings gained from this deferral. The House and Senate funding levels in House Bill 1 would produce savings of $1.8 billion and $2.3 billion respectively.

Article 2 would result in a revenue gain of $7.1 in General Revenue Related Funds in fiscal year 2013. To estimate the provisions of Article 2, data from TDI and the Comptroller were used to calculate the amount of examination fee and overhead assessment credits that would be available, the proportion of available examination fee credits that would be applied towards premium tax liability under current law, and the extent to which the repeal of these credits would increase the use of other types of premium tax credits.

Article 3 of the bill relating to custom brokers stamp fee would result in a gain of $1.0 million to the General Revenue fund in the 2012-13 biennium. For Article 3 of the bill, the revenue gain was estimated by the Comptroller by multiplying the estimate of the number of export certificates by the increase in the fee. The bill would have no administrative cost.

Article 4 of the bill would result in a gain of $10 million in General Revenue Related funds in the2012-13 biennium. The Comptroller estimated fiscal impact from the proposed repeal based on refunds that have been made under the provisions of Subchapter F. There is no estimated fiscal impact for 2012 as the current statute and provisions of the bill would result in refunds being made through fiscal 2012. State savings would begin in fiscal 2013.

The Comptroller estimates that Article 5 would result in gain of $11 million in General Revenue Funds for the 2012-13 biennium.

In Article 6, moving the unclaimed property transfer deadline to July 1 from November 1 would result in a one-time gain of $200 million in fiscal year 2013. The estimate reflects the impact of changes in the unclaimed property determination and transfer date and was developed using Comptroller data.

For Article 6, there would be a one-time gain of $77.7 million in fiscal year 2013 from reducing various unclaimed property dormancy periods. The Comptroller based this estimate on data for the affected property types. The increase in service, maintenance, and other fees that may be assessed by money order issuers would not have a significant fiscal impact because the dormancy period decrease from seven years to three years would offset any potential reduction in unclaimed property receipts.

For Article 6, the Comptroller estimates that unclaimed securities liquidation would result in a gain of $38 million to the General Revenue Fund in the 2012-13 biennium.

For Article 7, this analysis projects probable revenue gain to the General Revenue Fund from the reclassification of the Judicial and Court Personnel Training Fund No. 540 from Other Funds to general Revenue account of $11,716,000 in fiscal year 2012 and $10,660,000 in each fiscal year thereafter. Projected revenues to the Judicial and Court Personnel Training Fund are based on amounts included in the Comptroller's 2012–13 Biennial Revenue Estimate, or $10.6 million in fiscal year 2012 and $10.7 million in fiscal year 2013. Additionally, this estimate assumes $1,128,000 in unexpended balances available in the Judicial and Court Personnel Training Fund at the end of fiscal year 2011.

Article 9 continues the petroleum products delivery fee which under current law is scheduled to expire on August 31, 2011. According to the Comptroller, extending the fee would generate an estimated $44.8 million to the Petroleum Storage Tank Remediation Fund 655 in the 2012-13 biennium.

Article 10, relating to the motor fuels tax speed-up would result in a revenue gain of $67.1 million in General Revenue Funds for the 2012-13 biennium. Article 10 would also delay the motor fuels tax transfer to Fund 6 and 2 and this provision would result in a net revenue gain of $403 million in General Revenue Related Funds.

Article 11 relating to the alcohol tax speed up would result in a gain of $17.6 million in General Revenue funds in the 2012-13 biennium. The fiscal impacts of Articles 10 and 11 were based on the

Comptroller’s 2012-13 Biennial Revenue Estimate. The provisions of this bill would impact revenue collections only in fiscal year 2013 and 2014.

Article 12 would result in a revenue gain of $11.63 million in General Revenue Related funds in the 2012-13 biennium. The fiscal impact of Articles 12 was based on the Comptroller’s 2012-13 Biennial Revenue Estimate. The proposed cigarette stamping allowance change would increase the revenue from each stamp by roughly one-half of one percent. First year revenue collections were adjusted for collection lags.

Article 13 would result in gain of $150 million in General Revenue Related funds in the 2012-13 biennium. Article 13 relates to a recent court decision that expanded the interpretation of items that may be purchased as a nontaxable sale for resale to include items purchased by contractors for use or consumption in performing services under federal contract. The bill would preclude the court decision from being further expanded to apply to contracts with exempt entities other than the federal government. The Comptroller used data on refund claims pursuant to the court decision to estimate the annual state sales tax reduction to be expected were the decision applied to contracts with exempt entities other than the federal government, and the implications for units of local government were estimated proportionally. The tables shown above assume an effective date of September 1, 2011.

For the 2012-13 biennium, article 14 would result in a revenue gain of $231.2 million in General Revenue funds. The fiscal impact of Article 14 was based on the Comptroller’s 2012-13 Biennial Revenue Estimate. The provisions of this bill would impact revenue collections only in fiscal year 2013 and 2014. The analysis for this article assumes a one-time payment would apply only to state sales taxes.

Article 15 would result in a revenue gain of $25.8 million in General Revenue funds for the 2012-13 biennium. The Comptroller of Public Accounts (CPA) estimates the bill's provisions in article 15 would increase collections from the mixed beverage tax due to an increase in the effectiveness of the audit selection process. Gains would be reflected in both revenue realized per audit and an increase in the percentage of mixed beverage audits yielding revenue. Additionally, in response to enhanced reporting requirements, there would be a revenue gain due to greater voluntary tax compliance. Cities and counties could also expect positive revenue gains. This analysis shows the estimated gains to cities and counties if they were to be appropriated their current share of total mixed beverage revenue. The number of potential violations and the amount of penalties levied are unknown, the fiscal impact relating to penalty provisions cannot be determined.

Article 16, relating to the penalties for failure to report or remit certain taxes or fees, would amend the Tax Code and the Health and Safety Code to add a penalty of $50 for a person who fails to file certain reports required under the codes. Article 16 would result in gain of $13.15 million in General Revenue Funds in the 2012-13 biennium.

Article 21 relating to the repeal of early High School Graduation credit would result in a revenue gain of $10.2 million in General Revenue Funds in the 2012-13 biennium.

For Article 22, it is assumed that by reducing the state contribution rate to the TRS Care retiree insurance fund below 1.0 percent of active employee payroll in fiscal year 2013, state costs to General Revenue would be reduced. The TRS-Care Insurance Trust Fund would experience a revenue loss in like amounts. Senate Committee Substitute to HB 1 captures savings totaling $133.7 million in fiscal year 2013 based on a state contribution rate of 0.5 percent of payroll.

Articles 23, 24 and 25 relating to fiscal matters regarding natural resources would result in a net positive fiscal impact of $53.6 in General Revenue and General Revenue-Dedicated Funds in the 2012-13 biennium.

Articles 26 through 36 relating to fiscal matters regarding general government would result in a net positive fiscal impact of $70 million in General Revenue and General Revenue-Dedicated Funds.

The provisions included in Article 37 related to expanding the use of three tobacco settlement funds to pay the principal or interest on a bond issued on behalf of the Cancer Prevention and Research

Institute of Texas would result in a gain to General Revenue- Dedicated Funds of $78.1 in the 2012-13 biennium. The gain shown above is based on appropriated amounts for the 2012-13 biennium.

For Article 38 of the bill, the estimate assumes one percent of the employer’s total payroll would be charged to state and higher education employers as an enrollment fee. The fee would generate $162.6 million in General Revenue Related Funds per year which would be deposited to the ERS Employees Life, Accident, Health Insurance and Benefits Trust Account.

According to the CPA, article 41 and 42 regarding the sales and use tax, nexus and the franchise tax credits would result in a net revenue gain of $9.2 million in the 2012-13 biennium. The extension of certain franchise tax credits would result in a revenue loss of $6.8 million in General Revenue Funds in the 2012-13 biennium, and the provisions related to Nexus are estimated to result in a revenue gain of $16 million in General Revenue Funds for the 2012-13 biennium.

Article 48 relating to small business tax exemptions, would result in a revenue loss of $149.9 million in General Revenue Related Funds in the 2012-13 biennium.

According to the Comptroller the fiscal impact of article 50 relating to process servers could not be determined.

Article 52 relating to the Collection Improvement Program would result in a net revenue gain of $9 million in General Revenue Related funds in the 2012-13 biennium. Article 52 of the bill would transfer the auditing of the court-related Collection Improvement Program (CIP) function from the Comptroller of Public Accounts (CPA) to the Office of Court Administration (OCA). When the mandatory CIP was created by legislation in 2005, the CPA received appropriations for eight full-time equivalents (FTEs) to fulfill the related auditing functions. It is assumed that eight FTEs, Auditor IV positions, would be needed at OCA at a salary cost of$54,498 per FTE per fiscal year, with a total salary cost of $435,984 to General Revenue per year. Additional expenses include travel, at a cost of $80,000 per year; other operating expenses, at a cost of $13,840-$14,640 per year; and equipment costs for computers at a cost $19,824 in fiscal year 2012with a four-year replacement schedule. In addition, benefits would cost $121,465 per fiscal year. The estimated cost to OCA for the auditing function is approximately $671,913 in fiscal year 2012 and$651,289 in subsequent fiscal years. 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 of: $5.1 million fiscal year2012; $5.2 million in fiscal year 2013; $5.4 million in fiscal year 2014; $5.5 million in fiscal year2015; and $5.7 million in fiscal year 2016. Since existing CPA staff will be redirected to taxpayer audits, for purposes of this analysis, it is assumed that the OCA would require additional funding and FTEs, as previously described, to assume the auditing function currently performed by CPA staff.

Article 56 relating to certain franchise tax exemptions, would result in a net revenue loss of $2.42 million in General Revenue Related Funds in the 2012-13 biennium.

Article 62 relating to data collection from unclaimed property searches would result in a General Revenue savings of $400,000 in the 2012-13 biennium.

Article 64 would limit AP/IB exam fee subsidies to students who are educationally disadvantaged as defined in Section 5.001(4), Education Code, which would save an estimated $6.1 million in General Revenue Funds for fiscal year 2012 and $6.2 million in General Revenue Funds for fiscal year 2013, increasing to $6.5 million by fiscal year 2016. This estimate is based on current appropriations of $8.4 million for exam fee subsidies and assumes a 4 percent increase in the total number of AP/IB exams taken and a 9 percent increase in the number of AP/IB exams taken by low income students that would be eligible for a subsidy each school year. Projected increases are based on historical data and growth in participation provided by TEA. The savings from the provision are assumed in CSHB 1.

Article 65 limiting eligibility for Educational Aide tuition exemptions to persons seeking certification in teacher shortage areas is estimated to reduce state costs for this program by $7.5 million in General Revenue related funds for the 2012-13 biennium. The savings from the provision are assumed in CSHB 1.

Article 67 relating to the franchise tax and classification of entities as retail would result in a revenue loss of $200,000 in the 2012-13 biennium.

Regarding article 73, according to data from the Texas Education Agency, districts affected by the bill would see the amount they owe the state, under the current school finance provisions of Chapter 41 and Chapter 42 of the Texas Education Code, decrease by an estimated $11,750,000, entailing a non-time state cost to the Foundation School Program compared to current law of a like amount.

Regarding article 75, a model of the bill’s changes to the calculation of Foundation School Program (FSP) formulas indicates that savings of approximately $2.0 billion each year would be achieved in the 2012-13 biennium. In fiscal year 2012 the $2.0 billion in reduction would be achieved through a proportional reduction to the FSP regular program. In fiscal year 2013 the reduction is achieved through a reduction to the regular program (75% of the reduction) and through a reduction to target revenue (25% of the reduction). In fiscal year 2014 and beyond those amounts are determined by in the General Appropriations Act.

Local Government Impact

School districts would experience significant loss of revenue under the article 75's provisions. In total, revenues available to school districts would decline by approximately $2.0 billion per year relative to current law in fiscal year 2012 and fiscal year 2013. Reductions in revenue would vary among districts depending on specific local circumstances.

Source Agencies:

LBB Staff: JOB, KK, JI, ACl, JJ