

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 2, 2011

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

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

IN RE: SB1811 by Duncan (Relating to state fiscal matters; providing penalties.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1811, As Engrossed: a positive impact of \$4,008,179,905 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	\$311,062,686
2013	\$3,697,117,219
2014	(\$409,575,031)
2015	\$106,665,519
2016	\$107,643,219

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>Available School Fund</i> 2	Probable Savings/ (Cost) from <i>Foundation School Fund</i> 193
2012	(\$40,290,786)	\$351,353,472	\$0	\$0
2013	(\$40,122,785)	\$1,604,409,004	(\$67,169,000)	\$2,200,000,000
2014	(\$271,322,785)	(\$205,421,246)	\$67,169,000	\$0
2015	(\$40,122,785)	\$146,788,304	\$0	\$0
2016	(\$40,122,785)	\$147,766,004	\$0	\$0

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Petro Sto Tank Remed Acct</i> 655	Probable Savings/ (Cost) from <i>GR Dedicated Accounts</i> 994	Probable Revenue Gain/(Loss) from <i>Tobacco Education/Enforce</i> 5044	Probable Revenue Gain/(Loss) from <i>Children & Public Health</i> 5045
2012	\$25,833,000	(\$2,037,712)	\$20,121,694	\$10,060,847
2013	\$28,396,000	(\$2,032,706)	\$29,746,087	\$14,873,044
2014	\$28,569,000	(\$2,032,706)	\$0	\$0
2015	\$28,724,000	(\$2,032,706)	\$0	\$0
2016	\$28,896,000	(\$2,032,706)	\$0	\$0

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Ems & Trauma Care</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue</i>	Probable Savings/ (Cost) from	Probable Savings/ (Cost) from
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	Account 5046	Dedicated - Jud. Court Training Fund	Federal Funds 555	State Highway Fund 6
2012	\$10,060,847	\$11,716,000	(\$11,413,511)	(\$10,850,382)
2013	\$14,873,044	\$10,660,000	(\$11,385,468)	(\$10,823,723)
2014	\$0	\$10,660,000	(\$11,385,468)	(\$10,823,723)
2015	\$0	\$10,660,000	(\$11,385,468)	(\$10,823,723)
2016	\$0	\$10,660,000	(\$11,385,468)	(\$10,823,723)

Fiscal Year	Probable Revenue Gain/(Loss) from State Highway Fund 6	Probable Revenue Gain/(Loss) from Property Tax Relief Fund 304	Probable Revenue Gain/(Loss) from Jud & Court Training Fd 540	Probable Savings/ (Cost) from Appropriated Receipts 666
2012	\$0	\$7,050,500	(\$11,716,000)	(\$750,000)
2013	(\$201,508,000)	\$11,342,500	(\$10,660,000)	(\$275,000)
2014	\$201,508,000	(\$789,351,500)	(\$10,660,000)	\$0
2015	\$0	\$10,788,500	(\$10,660,000)	\$0
2016	\$0	\$9,956,000	(\$10,660,000)	\$0

Fiscal Year	Probable Savings/ (Cost) from Other Special State Funds 998	Probable Revenue Gain/(Loss) from Cities	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Transit Authorities
2012	(\$9,569,872)	\$20,499,000	\$4,480,000	\$6,100,000
2013	(\$9,546,359)	\$21,720,000	\$5,799,000	\$6,100,000
2014	(\$9,546,359)	\$22,963,000	\$7,143,000	\$6,100,000
2015	(\$9,546,359)	\$23,102,000	\$7,293,000	\$6,100,000
2016	(\$9,546,359)	\$23,246,000	\$7,448,000	\$6,100,000

Fiscal Year	Probable Revenue Gain/(Loss) from Insurance Trust Fund 973	Probable Revenue Gain/(Loss) from Jud Access & Improv Acct New	Probable Savings/ (Cost) from Jud Access & Improv Acct New	Probable Revenue Gain/(Loss) from Judicial Fund 573
2012	\$81,399,999	\$1,186,255	(\$1,186,255)	\$7,300,536
2013	\$81,200,001	\$1,372,509	(\$1,372,509)	\$15,745,070
2014	\$81,200,001	\$1,372,509	(\$1,372,509)	\$15,562,070
2015	\$81,200,001	\$1,372,509	(\$1,372,509)	\$15,404,070
2016	\$81,200,001	\$1,372,509	(\$1,372,509)	\$15,237,070

Fiscal Year	Probable Savings/ (Cost) from Judicial Fund 573	Probable Revenue Gain/(Loss) from Fair Defense 5073	Probable Savings/ (Cost) from Fair Defense 5073
2012	(\$7,300,536)	\$2,437,944	(\$2,437,944)
2013	(\$15,745,070)	\$5,175,887	(\$5,175,887)
2014	(\$15,562,070)	\$5,175,887	(\$5,175,887)
2015	(\$15,404,070)	\$5,175,887	(\$5,175,887)
2016	(\$15,237,070)	\$5,175,887	(\$5,175,887)

This analysis assumes an effective date of September 1, 2011. With a vote of two-thirds of all members, certain provisions of the bill would become effective before September 1, 2011, resulting in additional revenue in fiscal year 2011.

Fiscal Year	Change in Number of State Employees from FY 2011
2012	9.0
2013	9.0
2014	9.0
2015	9.0

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 direct the General Land Office to offer certain state property for sale not later than August 31, 2013. The bill directs all proceeds from the sale of identified properties to be deposited to the credit of the general revenue fund.

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 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 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 reauthorize the fee on the delivery of certain petroleum products.

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 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 percent. Article 13 would amend the Government Code to establish a General Revenue –Dedicated (GR-D) Account for Judicial Access and Improvement. Money in the GR-D Account would be appropriated only as provided in this Section. The bill would direct that an amount of not more than \$1 million annually would be appropriated to the Supreme Court to phase in electronic filing. Of the remaining money in the new GR-D Account, 70 percent would be transferred to the Judicial Fund for basic civil legal services and 30 percent would be transferred to the Fair Defense Account. The Comptroller of Public Accounts (CPA) could retain 2 percent of the money remitted to the new GR Account for auditing.

The bill would amend the Local Government Code by imposing a \$5 court cost fee on defendants convicted in a justice or municipal court of offenses other than parking and pedestrian offenses. If the money in the new GR-D Account is not appropriated in any state fiscal biennium for the purposes in the bill, the CPA and the Office of Court Administration (OCA) would notify each county clerk and the clerks of justice and municipal courts not to assess the fees and court costs created by this bill.

The bill would amend the Local Government Code to increase existing filing fees charged in district courts that support basic civil legal services for indigents. The bill would increase a filing fee for family court cases from \$5 to \$15 and a filing fee for all other cases from \$10 per filing to \$20. The changes made by the bill to Section 133.152(a) would be exempt from the Government Code, Section 51.607, which makes the increase in the filing fees applicable on the effective date of the bill. Article 14 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 15 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 16 would amend Chapter 171 of the Tax Code, regarding the franchise tax, by revising the dates when payments are due from certain large taxable entities as defined in the bill. Certain smaller taxpayers—including those eligible to file under 171.1016, EZ computation—would be excluded from prepayment requirements. The comptroller would be required to deposit revenue received from tax prepayments to the credit of the general revenue fund.

Article 17 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 18 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 18 would expand who would be required by the Comptroller's Office to file a monthly report on alcoholic beverage sales to retailers. Article 18 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 151.462 of this Code.

Article 19 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 18 provisions would take immediate effect upon receiving two-thirds vote in both houses; otherwise, the provisions would take effect September, 1, 2011.

Article 20 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 21 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 include certain information about authorized fees in the general appropriations bill; 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 22 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.

The Texas Workforce Commission (TWC) would also be required, under provisions of the bill, to allocate funding from the Skills Development Fund to businesses with fewer than 100 employees that partner with an entity that provides job training skills to the business's employees. In addition, the Texas Back to Work Program would be formally established at TWC in order to establish public private partnerships with employers to hire qualified applicants who are unemployed at the time of hire.

The effective date of this bill is 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 \$2.2 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 \$2.0 billion respectively.

Article 2 of the bill would result in a gain of \$38.5 million to the General Revenue fund in the 2012-13 biennium. This analysis assumes property sale values for lands identified in Article 2 based on current General Land Office (GLO) property evaluation appraisals. GLO reports that the properties would be re-appraised prior to being placed for sale to determine their market value at the time of offer and anticipates some appraisal adjustments. The Texas Public Finance Authority (TPFA) reports that properties identified as 9 and 11 in Section 2.01 could be sold no sooner than September 30, 2011 to avoid a conflict with existing bond restrictions. Additionally, properties identified as 1 and 4 in Section 2.01 are subject to outstanding bond debt that would be required to be paid off upon sale of the property; an adjustment is included for this in the tables above. Current uses of the Service Station, Parking Garages B and G, and the Marlin Robert E. Lee Group Home and Wortham Twin Circle Group Home result in annual revenue for the owner agencies. The annual revenue loss from sale of these properties is included in the tables shown above. Disposition costs related to the sale of the

identified properties cannot be determined and are not included in the tables above. Disposition costs vary from property to property and are typically no more than 10 percent of the final property sales value.

Article 3 of the bill would result in a gain of \$1 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 the 2012-13 biennium. For Article 4 of the bill, 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.

Article 5 would result in an estimated \$16 million in General Revenue savings over the 2012-13 biennium. Specifically, this would represent a savings to General Revenue appropriations currently contained in House Bill 1 (engrossed) / House Bill 1, to be considered in the Senate.

For Article 6, there would be a one-time gain of \$78 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 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 2012.

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 a 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 8 would result in a net revenue gain of \$2.6 million to the General Revenue Fund in the 2012-13 biennium. This analysis assumes that all new process servers will pay a 3-year certification fee upon issuance of their initial certificate. In addition, in the first year of implementation, all currently-certified process servers will pay a pro-rated fee based on the number of months remaining before their scheduled renewal date. Projections are based on historical numbers of certificates issued since the program's inception in 2005. The higher amount of revenue projected for fiscal year 2012 is due to pro-rated fees in the first year of implementation. The higher amounts beginning in 2016 are based on projected growth in the number of certificates issued based on historical trends. Costs to certify process servers includes one administrative staff person, professional fees for computer programming, computer equipment and modular furniture for the staff, a lockbox function to receive fees and deposit them into the State Treasury and other operating expenses.

Article 9 would result in a gain of \$55.3 million in General Revenue Related funds in the 2012-13 biennium. The Comptroller's estimate of the fiscal impact of Article 9 assumes the continuation of the fee would not have a significant effect on the number of withdrawals from bulk petroleum facilities. An allowance was made for the service charge allocated to General Revenue.

For the the 2012-13 biennium, Article 10 of the bill would result in a net revenue gain of \$268.7 million in General Revenue Related funds and article 11 would result in a gain of \$17.6 million in General Revenue funds. 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 \$23.2 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 percent. First year revenue collections were adjusted for collection lags.

Article 13 would have a net impact of \$0. The Comptroller of Public Accounts (CPA) was not able to estimate the revenue from the \$5 court cost. The Office of Court Administration (OCA) estimates total revenue to the new GR-D Account of \$9.3 million in fiscal year 2012, due to partial year implementation, and \$18.6 million per year for fiscal years 2013 to 2016.

For the new \$5 criminal court cost, OCA used based on historical court activity data from fiscal year 2009, during which there were 6,032,540 convictions in cases handled by justice and municipal courts (other than cases involving parking and pedestrians). OCA estimates that the new court cost of \$5 per conviction would result in annual assessed court costs of \$30.1 million. Using a 65 percent collection rate for court costs collected in the municipal and justice of the peace courts, the agency estimates the court cost revenue collected to be \$19.6 million. Of this amount, five percent would be retained by the county as a service fee and the remaining 95 percent would be remitted to the state, resulting in a revenue gain to the state of \$18.6 million per year. Two percent of the money remitted to the state, or approximately \$372,509 per year based on OCA's estimates, would be used by the CPA for audit purposes. The remaining \$18.2 million per year would be used for the bill's other intended purposes.

In addition to the costs for auditing, for which the CPA will receive revenue from the bill, the CPA estimated an administrative cost to the agency of \$149,000 in fiscal year 2012 and no costs in subsequent years. The administrative costs to the CPA reflect the funds the agency identified that would be necessary for program maintenance to the existing fee system due to the creation of new court cost fees.

For the purposes of this analysis, it is assumed that all receipts collected would be appropriated by the Legislature as indicated in the table above. In each fiscal year, the following expenditures would occur: \$1 million would be appropriated to the Supreme Court; two percent of revenues would be used by the CPA; and that the remaining revenues would then be transferred to the Judicial Fund and Fair Defense and be appropriated.

As relates to the increased civil filing fees under Section 133.152(a) of the Local Government Code, for fiscal year 2010, the Office of Court Administration (OCA) reported, for district courts statewide, 243,528 family filings and 219,917 other filings for a total of 463,445 filings. For its revenue estimate, the Comptroller of Public Accounts (CPA) reviewed the number of filings for fiscal years 2005 to 2010 and adjusted 2011 and beyond to reflect average year-to-year changes. The CPA assumes a 100 percent collection rate for the filing fees and a base year filings of 429,940 for fiscal year 2011. These assumptions result in an estimate of \$1.6 million in revenue gain for fiscal year 2012 (adjusted for an implementation lag) and gains ranging from \$3.2 million to \$3.7 million for subsequent years. For purposes of this analysis, it is assumed that all receipts collected would be appropriated.

Article 14 would result in gain of \$200 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.

Article 15 would result in a net revenue gain of \$9 million in General Revenue Related funds in the 2012-13 biennium. Article 15 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 2012 with 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 year 2012; \$5.2 million in fiscal year 2013; \$5.4 million in fiscal year 2014; \$5.5 million in fiscal year 2015; 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.

For the 2012-13 biennium, article 16 would result in a revenue gain of \$799.8 million and article 16 would result in a revenue gain of \$231.2 million in General Revenue funds. The fiscal impacts of Articles 16 and 17 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. The analysis for this article assumes a one-time payment would apply only to state sales taxes.

Article 18 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 18 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.

The provisions included in Article 19 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 \$40.2 million in 2012, and \$59.5 million in 2013. The gain shown above is based on appropriated amounts for the 2012-13 biennium.

For Article 20 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 \$81.2 million per year in revenue which would be deposited to the ERS Employees Life, Accident, Health Insurance and Benefits Trust Account.

Article 21 of the bill would not have a significant fiscal impact.

Article 22 of the bill would have no significant fiscal impact. Relating to the transfer of Texas Enterprise Fund (TEF) appropriations 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, it is assumed that the intent of the bill would be to restore program funding to the level included in Senate Bill 1, 81st Legislature, Regular Session with TEF funding instead of General Revenue. Therefore, there would be no fiscal impact related to this provision.

The effective date of this bill as September 1, 2011 except as otherwise provided.

Local Government Impact

Regarding article 1 of the bill, school districts would have to wait until September to receive their final

monthly payment for the prior school year and districts would need to manage their cash flow requirements to reflect the delay in payments. The fiscal implication is not expected to be significant.

The transition of any of the properties identified in Article 2 from government use to private use would allow local government entities in the related areas to begin collecting property tax on the value of the properties. The amount of local tax collection increases cannot be determined as it would depend on various local property tax rates and the final appraised value of the property resulting from a non-governmental use.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 303 Facilities Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 320 Texas Workforce Commission, 327 Employees Retirement System, 347 Public Finance Authority, 405 Department of Public Safety, 458 Alcoholic Beverage Commission, 529 Health and Human Services Commission, 601 Department of Transportation, 696 Department of Criminal Justice, 701 Central Education Agency, 802 Parks and Wildlife Department

LBB Staff: JOB, KK, JI, SD, ACI, JJO