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: **SB1811** by Duncan (Relating to state fiscal matters.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1811, As Introduced: a positive impact of $875,829,803 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, Six-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2011	$433,913,000
2012	($283,820,620)
2013	$725,737,423
2014	($306,107,774)
2015	$750,996,042
2016	($325,236,984)

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Savings/ (Cost) from *General Revenue Fund* 1	Probable Savings/ (Cost) from *State Pension Review Bd* 662	Probable Savings/ (Cost) from *TRS Trust Account Fund* 960
2011	$494,951,000	$0	$0	$0
2012	($515,892,033)	$139,568,006	$1,066,934	($665,000)
2013	$616,310,273	$141,398,126	$1,066,934	($665,000)
2014	($545,114,477)	$142,570,125	$1,066,934	($665,000)
2015	$640,882,073	$143,574,379	$1,066,934	($665,000)
2016	($568,992,227)	$144,479,285	$1,066,934	($665,000)

Fiscal Year	Probable Savings/ (Cost) from *S.E.R.S. Trust Account* 955	Probable Revenue Gain/(Loss) from *Tx Preservation Trust Acc* 664	Probable Revenue (Loss) from *Telecommunications Revolving - IAC* 8125	Probable Savings/ (Cost) from *Foundation School Fund* 193
2011	$0	$0	$0	$0
2012	($111,518)	$10,089,461	($2,550,000)	$31,465,407
2013	($113,500)	$0	$0	$31,841,024
2014	($115,582)	$0	$0	$32,624,578
2015	($117,769)	$0	$0	$32,694,590
2016	($120,075)	$0	$0	$33,120,958

Fiscal Year	Probable Savings/ (Cost) from *Federal Funds* 555	Probable Savings/ (Cost) from *RETIRED SCHOOL EMP GROUP INSURANCE* 989	Probable Revenue Gain/(Loss) from *Available School Fund* 2	Probable Revenue Gain/(Loss) from *State Highway Fund* 6
2011	$0	$0	($61,038,000)	($183,113,000)
2012	$638,735	($133,675,493)	$61,038,000	$183,113,000
2013	$1,999,219	($133,675,493)	($63,812,000)	($191,433,000)
2014	$3,356,396	($133,675,493)	$63,812,000	$191,433,000
2015	$4,576,327	($133,675,493)	($66,155,000)	($198,466,000)
2016	$5,671,773	($133,675,493)	$66,155,000	$198,466,000

Fiscal Year	Change in Number of State Employees from FY 2011
2012	(29.5)
2013	(29.5)
2014	(29.5)
2015	(29.5)
2016	(29.5)

Fiscal Analysis

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

Article 2 would stipulate that reimbursements and payments to various persons, including state employees, visiting judges, district judges, and prosecuting attorneys, not be made in an amount greater than amounts authorized in the General Appropriations Act. According to the Office of Court Administration, in some instances statute outside the General Appropriations Act, such as the Code of Criminal Procedure, determines the amount of reimbursements and payments to these various persons.

Article 3 would amend the Government Code to change provisions relating to the payment of longevity supplements for assistant prosecutors such that, if sufficient funds are not available to meet the requests made by counties in a given period, the county would not be entitled to receive the balance of funds at a later date, and the longevity pay program would be suspended to the extent of any insufficiency.

Article 4 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 bill 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 also authorizes travel reimbursement for members of the Process Server Review Board but specifies that members of the board serve without salary compensation. The bill would allow fees collected to be appropriated for the support of regulatory programs for process servers and guardians.

Article 5 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 6 of the bill would eliminate the statutory rate for juror pay reimbursement for each day after the first day and replace the amount with language referencing the amount provided in the General Appropriations Act, payable by the Comptroller in quarterly payments to counties. The rate is currently $40 per day after the first, with $34 per day reimbursed to counties for each day following the first day. The legislation would result in four different rates each fiscal year as determined by amounts appropriated and the reimbursement claims submitted by counties on a quarterly basis.

Article 7 regarding state taxes and fees, would amend the Alcoholic Beverage Code and Tax Code. 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. The tax remitter would be required to remit either 90 percent of the expected tax for the month of September or 100 percent of what was paid in the preceding year. The bill would affect the airline/passenger train beverage, liquor, wine, malt liquor/ale, beer, and mixed beverage taxes. The bill would amend Chapter 154 of the Tax Code, regarding the cigarette tax, to increase the tax rate on cigarettes weighing three pounds or less per thousand cigarettes to $70.51 per thousand cigarettes ($1.4102 per pack of 20 cigarettes) from $70.50 per thousand cigarettes ($1.41 per pack). The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by revising the dates when payments are due from certain taxable entities. The bill would define "large taxable entity" as one that reported more than the median amount of tax due on the preceding annual report. The bill would direct the Comptroller to compute the median tax liability and post the information on the Comptroller's website. The initial posting would be due on June 15 of the year in which the bill becomes effective. The bill would amend Section 181.002 of the Tax Code, regarding the cement production tax, lowering the tax from $0.0275 to $0.0274 for each 100 pounds of taxable cement. The bill would amend Chapter 162 of the Tax Code regarding the gasoline and diesel fuel taxes by revising certain due dates. The bill would require that for both taxes a person who was liable for collecting and remitting the tax on a monthly basis would remit not later than the last workday of August of each odd-numbered year the payment that would otherwise have been due on or before September 25 of that year. The bill would stipulate that for both taxes the Comptroller may not allocate revenue remitted to the Comptroller during July and August of each odd-numbered year before the first workday of September.

Article 8 would make mandatory a fee of 50 cents per member or annuitant of a public retirement system payable to the State Pension Review Board (PRB). The bill would also amend statute to allow the PRB to authorize training sessions or other educational activities for trustees and administrators of the public retirement system and charge an appropriate fee for these activities and services.

Article 9 would remove State Bar membership fees for attorneys who are employed by the Office of the Attorney General.

Article 10 would allow the Comptroller to retain a 10 percent fee for processing unclaimed property claims of at least $100. The amount would be retained in the General Revenue Fund and could be appropriated to the Comptroller to cover administrative costs for processing unclaimed property.

Article 11 would allow for an increase in lobbyist registration fees up to amounts set by the General Appropriations Act.

Article 12 would implement recommendations from the report, "Optimize the Use of State Parking Facilities," in the Legislative Budget Board's (LBB) Government Effectiveness and Efficiency Report submitted to the Eighty-Second Texas Legislature, 2011.

Article 12 would expand the Texas Facilities Commission's (TFC) authority related to the leasing operations of state-owned parking lots, direct revenue received from leasing operations to be deposited to the General Revenue Fund and require TFC to report biennially on the use and effectiveness of parking lease operations.

Article 13 would implement recommendations from the report "Implement Strategies to Increase the Transparency of the State Constitutional Debt Limit" from the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-second Texas Legislature, 2011.

Article 13 would add definitions for maximum annual debt service, state debt payable from the general revenue fund, and unissued debt as well as allows the Bond Review Board (BRB) to employ any assumptions necessary to compute the constitutional debt limit (CDL), and requires the BRB to publish a report on the CDL computation in each fiscal year.

Article 14 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 Texas Government Code, Section 403.016, 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, repealing any current exemptions.

Article 15 would direct the Secretary of State to publish and maintain electronically a list of bills enacted after each legislative session.

Article 16 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 16 provisions would take immediate effect upon receiving two-thirds vote in both houses; otherwise, the provisions would take effect September, 1, 2011.

Article 17 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 17 provisions would take effect November 1, 2011.

Article 18 would transfer the operations of the Texas State Cemetery from the Texas Facilities Commission to the State Preservation Board.

Article 19 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 19 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 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. Article 20 would repeal insurance premium tax credits for examination fees.

Article 21 would establish a Health Care Payment and Delivery System Reform Committee and attach it to the Texas Department of Insurance (TDI). The Committee would consist of appointees from state agencies that purchase health care (Health and Human Services Commission, Employees Retirement System, Teacher Retirement System, Texas A&M University System, and University of Texas

System) and four non-voting members representing the legislature. The Committee would be required to develop a plan to identify priority outcomes for cost containment and quality improvement, coordinate initiatives for reform across state health payors, review pilot program proposals and funding requests submitted to the committee, and make recommendations to the commissioner of TDI. The commissioner would be required to adopt rules relating to funding of pilot programs and may approve a pilot program and/or award funding based on the recommendation of the committee. The bill would amend the Occupations Code to permit a person, including a partnership, trust, association, or corporation operating an approved pilot program to employ a physician without violating Sections 164.052(a)(13) or (17) or 165.156 of the Occupations Code. These recommendations are contained in the Legislative Budget Board's 2011 Government Effectiveness and Efficiency Report entitled “Reform Healthcare Payment and Delivery Systems to Reduce State Expenditures."

Article 22, Section 22.03 would eliminate the state minimum salary schedule (MSS) for teachers, nurses, librarians, and counselors and would direct the Commissioner of Education to adopt an MSS by rule each year beginning in fiscal year 2013. Article 22, Section 22.06 would entitle school districts to additional state aid beginning in fiscal year 2013 in the amount of the difference between the MSS as it exists prior to enactment of the bill and the Commissioner’s MSS as established by rule under the provisions of the bill.

Article 23 would require the Health and Human Services Commission (HHSC), Department of Aging and Disability Services (DADS), Texas Veterans Commission (TVC), and the Veterans' Land Board (VLB) to enter into a memorandum of understanding (MOU) to coordinate the collecting, use, and analysis of information and data received from the federal Public Assistance Reporting Information System (PARIS) and to report to the Legislative Budget Board and the governor about its use by October 15, 2012. These provisions implement a recommendation related to the report, "Use Federal Data to Help Veterans Access Federal Benefits and Save State Funds" in the Legislative Budget Board's Government Effectiveness and Efficiency Report submitted to the Eighty-second Texas Legislature, 2011.

Article 24 would repeal Section 31.0325 of the Human Resources Code to eliminate the finger imaging used in the Supplemental Nutrition Assistance Program (SNAP), formerly called Food Stamps, and the Temporary Assistance for Needy Families (TANF).

Article 25 would require the Health and Human Services Commission (HHSC) to determine the feasibility of piloting telemonitoring for diabetes and other conditions and share information on Medicaid health management organization's (HMO's) telemonitoring programs with other Medicaid providers. These provisions would implement a recommendation in the report, “Increase the Use of Telemonitoring in the Texas Medicaid Program to Improve Patient Outcomes,” in the Legislative Budget Board’s Government Effectiveness and Efficiency Report, submitted to the Eighty-second Texas Legislature, 2011.

The bill would require HHSC to develop an objective assessment process, including use of a standard form, for acute nursing services in the Medicaid fee-for-service model and the Medicaid Primary Care Case Management managed care model and to take actions to implement the process within the Medicaid STAR and STAR+PLUS managed care programs. The bill would authorize HHSC to implement an assessment process for Medicaid therapy services comparable to the objective assessment process implemented for Medicaid acute nursing services. These provisions implement the recommendation in the Legislative Budget Board's 2011 Government Effectiveness and Efficiency Report entitled "Implement an Objective Client Assessment Process for Acute Nursing Services in the Texas Medicaid Program.

The bill would require HHSC to conduct a study to evaluate the cost-effectiveness of the physician incentive programs designed to reduce hospital emergency room use for non-emergent conditions implemented by health maintenance organizations in Medicaid. HHSC would be required to submit the evaluation report to the governor and the Legislative Budget Board by August 31, 2012. The bill would also require HHSC to establish a cost-effective physician incentive program in the Texas Medicaid program. These provisions implement the recommendations in the Legislative Budget Board's 2011 Government Effectiveness and Efficiency Report entitled "Reduce the Need for Emergency Room Utilization in the Medicaid Program.”

Article 26 would allow an agency to request a waiver for provisions in Article 23, 24 or 25 of the bill if necessary.

Article 27, Section 27.01 would remove a requirement that the state contribution rate to the Teacher Retirement System (TRS) Pension Trust Fund be no less than the contribution rate required for active employees. Section 27.02 would reduce the rate of the required state contribution to the Teacher Retirement System for the TRS-Care retiree insurance program to 0.5 percent of active member payroll.

Article 28 would cap school district revenue targets for the purpose of determining state aid under the FSP to no more than $8,000 per student in weighted average daily attendance (WADA).

Article 29 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. Article 29 would end Advanced Placement and International Baccalaureate exam fee subsidies paid on behalf of all students and limit subsidy recipients to students who are educationally disadvantaged as defined in Section 5.001(4), Education Code.

Article 30, Section 30.01 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. Section 30.02 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. Section 30.03 would limit eligibility for Educational Aide tuition exemptions to persons seeking certification in teacher shortage areas, as determined by the Commissioner.

Article 32 would implement recommendations in the report, "Monitor Outcomes and Limit Course Offerings to Ensure Dual Credit Course Quality," in the Legislative Budget Board's Government Effectiveness and Efficiency Report submitted to the Eighty-Second Texas Legislature, 2011. Article 32 would exclude physical education curriculum from counting towards contact hours used to determine a junior college’s proportionate share of state money appropriated.

Article 33 sets the effective date of this bill as September 1, 2011 except as otherwise provided.

Methodology

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

Article 2 & Article 3
There is no significant fiscal impact anticipated as a result of Article 2 or Article 3.

Article 4
According to the Office of Court Administration (OCA), there are currently over 6,000 certified process servers in Texas. Process servers receive a three-year license. If a fee of $75 per year is charged, OCA estimates the revenues will range from $672,300 per year to over $1 million per year, depending on the number of process servers renewing their certification each year, as well as the number of new certificates issued. The bill would result in costs to establish a system to collect over 6,000 certification fees, as well as maintaining administrative information associated with these certificates.

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.

This analysis also assumes that costs include one administrative staff person to process fees and handle other administrative paperwork associated with the certification of process servers (paid an annual salary of $35,000, together with benefits of $9,751). Costs include professional fees for computer programming that will allow OCA's current software to properly account for the new fees and provide an interface to the State's Texas Online portal ($25,000 in fiscal year 2012); computer equipment and modular furniture for the staff person ($5,600 in fiscal year 2012); and costs associated with a lockbox function to receive fees and deposit them into the State Treasury, including other operating expenses ($15,000 in fiscal year 2012 and each year thereafter).

According to OCA the Process Server Review Board is composed of nine board members and currently meets once every month. OCA estimates travel reimbursement of approximately $200 per board member per meeting (9 board members x $200 per meeting x 12 meetings = $21,600). For purposes of this analysis, travel reimbursement costs for the board are estimated at $21,600 per year.

Article 5
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. According to the Comptroller's 2012-13 Biennial Revenue Estimate, this is the amount of the projected balance in the Training Fund at the beginning of fiscal year 2012.

Article 6
There is no significant fiscal impact anticipated as a result of Article 6.

Article 7
The provisions in Article 7 would impact collections of alcohol taxes, unclaimed property, franchise tax, cement tax, motor fuel taxes and cigarette taxes.

Data were gathered from Comptroller files showing the monthly revenue for the alcoholic beverage taxes and were adjusted to reflect a one month shift in collections. The table below assumes the bill takes effect immediately. If the bill does not receive the required amount of votes to take effect immediately, the gain to GR would take effect in fiscal year 2013, with no fiscal impact for fiscal years 2011 and 2012.

With respect to unclaimed property, data from Comptroller files showing how much the Comptroller currently retains as a handling fee were collected, the amount was divided by current 1.5 percent handling fee, multiplied by 10 percent and extrapolated through 2016.

Under the franchise tax provisions all taxable entities with a tax liability would meet the definitions for a large taxable entity if taxable entities filing a no tax due return are included. Because the provisions in the bill providing for an extension for a large taxable entity to make a payment (payment, not report) could eliminate the early payment of tax liability, the fiscal impact cannot be estimated. However, based on the Comptroller's tax files, an acceleration of franchise tax payments in the manner contemplated by this bill could produce a gain of $800 million in the first biennium in which it is effective.

The gasoline and diesel fuel tax revenues from the 2012-13 Biennial Revenue Estimate were adjusted to reflect the changes in tax payment dates as well as the changes in tax allocation dates specified in the bill to arrive at the net changes in revenue to the effected funds.

The cigarette tax provision would have no revenue impact as stamps are sold per package and there are no known packages large enough for the tax rate to round up to the next cent. At $70.51 per thousand, a pack would be $1.4102 and would round down to the current $1.41 per pack of 20 cigarettes.

The Comptroller estimates these provisions would require hiring 7 FTEs for fiscal year 2012-2016 to handle quarterly remittance of taxes, refunds, and requests for payment transfers. The administrative cost of $1.7 million in fiscal year 2012 and 963,000 in fiscal year 2013 and beyond also reflects significant and continuing upgrades to existing system programs, printing costs and security control assessments.

Article 8
The mandatory fee of 50 cents per member or annuitant of a public retirement system payable to the State Pension Review Board would result in a cost to the Teacher Retirement System Pension Trust Fund of $665,000 annually.

The fiscal impact would be an increase in revenue to the State Pension Review Board Fund No. 662 of approximately $1,066,934 each fiscal year. This is based on the current active and annuitant membership figures of Texas public retirement systems with no overall growth assumption included.

It is assumed that the 50 cent per member or annuitant cost to ERS would result in a cost to the Employee Retirement System Pension Trust Fund 0955 in the amounts of $225,018 in the 2012-13 biennium. ERS assumed a growth rate for annuitants for fiscal years 2012 through 2016.

Article 9
The OAG estimates $238,441 in biennial General Revenue cost savings from exempting attorneys employed by the OAG from paying annual bar dues. These savings are assumed in CSHB 1.

Article 10
The Comptroller could not determine the fiscal impact related to the provisions of Article 10.

Article 11
According to the Texas Ethics Commission, if lobbyists' fees were increased by the maximum amount allowed by the bill, the State would have additional revenue of up to $1,477,000 in GR to the the FY 2012-13 biennium.

Article 12
The LBB estimates that implementing the provisions of the bill would result in revenue 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 rate of $50 per month. Because the exact implementation conditions (number of parking spaces to be leased and the contract lease rate to be applied) is currently 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 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 equipment would cost $64,406 in General Revenue Funds in fiscal year 2012 and $63,406 in General Revenue Funds in fiscal year 2013, for a biennial cost of $127,812. This cost estimate includes payments for employee benefits. TFC could manage the lease of entire parking facilities, or segments of parking facilities, within existing resources due to the limited number of opportunities for such a program.

Article 13
It is anticipated any additional costs related to the provisions of the bill relating to the constitutional debt limit could be absorbed within existing agency resources.

Article 14
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 disburse benefits and payments via electronic pay card.

Article 15
This bill would eliminate the requirement to publish and distribute the bound volumes of the session laws. There are currently 600 sets that are distributed each biennium. The Secretary of State anticipates savings of $75,000 each year for the 2012-13 biennium.

Article 16
The OAG estimates that the administrative costs associated with the implementation of the electronic filing provisions contained in Article 16 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.

Article 17
This analysis assumes the bill's provisions contained in Article 17 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 revenue gain is assumed in CSHB 1.

Article 18
This analysis assumes that, in implementing the provisions contained in Article 18, 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. These savings are assumed in CSHB 1.

Article 19
The provisions contained in Article 19 of the bill would transfer existing fund balances from the Department of Information Resources' 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. Committee Substitute to House Bill 1 appropriates the estimated fund balance to the department.

Article 20
To estimate the provisions of Article 20, 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. It is assumed examination fees and overhead assessment credits earned prior to the effective date of this bill would be applicable to premium tax liabilities due in fiscal 2012. It is further assumed that this bill would take effect before TDI overhead assessments are posted (in effect that the bill passes with two-thirds majority votes in both houses of the Legislature). If the bill does not take effect until September 1, 2011, the estimated fiscal 2012 fiscal impact would be zero and the 2013 fiscal impact would be reduced by $280,000.

Article 21
The Texas Department of Insurance indicates that the bill would not have a significant fiscal impact

on the agency and that any additional workload can be handled within existing resources. This analysis assumes grants would only be provided as appropriations allow. This analysis assumes no costs would be incurred by the agencies participating on the Committee.

Article 22
Provisions related to the transition to an MSS established annually by Commissioner rule and the provision of additional state aid beginning in fiscal year 2013 in the amount of the difference between the MSS as it exists prior to enactment of the bill and the Commissioner’s MSS would have no fiscal impact assuming the Commissioner’s MSS provides for minimum salary requirements that are equal to or less than those required under the MSS as it exists prior to enactment of the bill. If the Commissioner’ MSS provides for a higher minimum salary, there would be additional costs in state aid through the FSP and in required state contributions for retirement and insurance made to the Teachers Retirement System.

Article 23
According to HHSC, Article 23 would have no fiscal impact and the agency could implement the studies and evaluations required by the bill by utilizing existing resources. This analysis assumes that HHSC, DADS, TVC, and VLB would be able to implement the provisions of the bill related to establishing a memorandum of understanding by utilizing existing agency resources.

Article 24
Based on HHSC estimates, elimination of the fingerprint-imaging requirement would reduce time spent by staff on processing eligibility for these programs (equal to a reduction of 37.0 FTEs) and contract cost reductions, resulting in All Funds net savings are estimated to be $2,899,462 in fiscal year 2012 and $3,263,331 in each subsequent fiscal year. Savings in General Revenue Funds are estimated to be $1,472,057 in fiscal year 2012 and $1,656,793 in each subsequent fiscal year. Savings associated with the Lone Star Imaging Services contract are estimated at $1,102,444 in fiscal year 2012 and $1,338,813 in each subsequent fiscal year.

Article 25
HHSC indicates it could absorb the costs associated with implementing the provisions of the bill relating to a telemonitoring pilot program using current resources.

It is assumed that the cost to evaluate the existing physician incentive programs could be absorbed within existing resources. The bill directs HHSC to include only cost-effective components in the physician incentive program implemented in the Texas Medicaid program. As a result, the cost of the program would be offset by reductions in non-emergent use of the emergency room. Depending on the extent to which implementing a physician incentive program reduces non-emergent use of the emergency room, there could be savings in the Texas Medicaid program.

Implementing the provisions of the bill related to an objective client assessment process for acute nursing services is estimated to result in a cost of $876,300 in All Funds in fiscal year 2012, a savings of $1,078,704 in All Funds in fiscal year 2013, a savings of $3,522,485 in All Funds in fiscal year 2014, a savings of $5,672,619 in All Funds in fiscal year 2015, and a savings of $7,612,046 in All Funds in fiscal year 2016. The cost in fiscal year 2012 includes system development expenses to be incurred by a contractor. The net savings in fiscal year 2013 include a cost of $248,500 for contractor operation costs that include oversight of the subcontractor who performs the assessments, $1,390,884 for contractor assessment costs, and $8,250 for fair hearings, and an offsetting savings of $2,726,338 in client services. The net savings in fiscal year 2014 include a cost of $248,500 for contractor operation costs, $1,627,560 for contractor assessment costs, and $16,500 for fair hearings, and an offsetting savings of $5,415,045 in client services. The net savings in fiscal year 2015 include a cost of $248,500 for contractor operation costs, $1,705,968 for contractor assessment costs, and $16,500 for fair hearings, and an offsetting savings of $7,643,587 in client services. The net savings in fiscal year 2016 include a cost of $248,500 for contractor operation costs, $1,804,704 for contractor assessment costs, and $16,500 for fair hearings, and an offsetting savings of $9,681,750 in client services. The contractor assessment costs are based on the agency's estimate of $357.50 per initial assessment and $242 per reassessment. Cost and savings data are for PDN services provided to clients in Medicaid fee-for-service and the Primary Care Case Management managed care model whose initial assessment is in fiscal year 2013 or later. The data does not include cost and savings estimates for implementing an objective assessment process for clients receiving HHSN services or HHA services because the agency estimates that non-PDN clients account for only 4 percent of acute nursing service costs. Savings data are based on the agency's estimate that implementing an objective assessment process would save 5 percent of what would have been spent on private duty nursing services in the absence of an objective assessment process. The 5 percent savings estimate is applied to fiscal year 2010 costs for private duty nursing services.

Article 26
There is no significant fiscal impact related to article 26 of the bill.

Article 27
Section 27.01
For purposes of this estimate, it is assumed that the state contribution rate to the TRS Pension Trust Fund would remain the same as the rate stipulated in the 2010-11 General Appropriations Act. However, if a lower rate were adopted by the Eighty-second Legislature, which could be reduced below 6.4 percent based on the provision of the bill removing the requirement that the state contribution rate to the TRS Pension Trust Fund be no less than the contribution rate required for active employees, state costs to General Revenue would be reduced. The TRS Pension Trust Fund would experience a revenue loss in like amounts.

Section 27.02
The provision reducing the rate of the required state contribution to the Teacher Retirement System for the TRS-Care retiree insurance program would result in an estimated savings to the General Revenue of $133.7 million annually beginning in fiscal year 2012. The TRS-Care Trust Fund would experience a revenue loss in each fiscal year in like amounts.

Article 28
Section 28.01
The cap on school district revenue targets in the FSP of $8,000 per WADA is estimated to result in General Revenue savings of $20.8 million in fiscal year 2012 and $21.2 million in fiscal year 2013, increasing to $22.3 million by fiscal year 2016.

Article 29
Article 29 would end AP/IB exam fee subsidies paid on behalf of all students and limit subsidy recipients to students who are educationally disadvantaged as defined in Section 5.001(4), Education Code, which would save $6.1 million in General Revenue Funds for fiscal year 2012 and $6.2 million in General Revenue Funds for fiscal year 2013.

Based on current appropriations of $8.4 million for exam fee subsidies, probable savings from limiting exam fee subsidies were calculated by determining what the costs would be if no changes were made to student eligibility and each AP/IB exam continued to be subsidized at $30, and then subtracting the cost of subsidizing only exams taken by low-income students. This method estimates savings based on continued growth in AP/IB exam participation, and assumes a 4 percent increase in the total number of AP/IB exams taken that would be eligible for a subsidy 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.

Article 30, Section 30.01
Students who receive Early High School Graduation Scholarships have six years from the date of the award in which to apply the scholarship to eligible higher education expenses. The THECB estimates about $10.6 million in unredeemed awards that have not yet expired. For purposes of this estimate, it is assumed that one-fifth of those awards are redeemed each fiscal year beginning in fiscal year 2012. Based on that assumption and annual state cost for the program in recent fiscal years of $7.2 million, provisions closing the Early High School Graduation Scholarship program to new awards effective for fiscal year 2012 is estimated to reduce state cost by $5.1 in General Revenue annually.

Section 30.02
Provisions eliminating 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 affect the Early High School Graduation Scholarship program and the Educational Aide tuition exemption program as well as tuition subsidies for certain TANF eligible students and make funding for each of these programs subject to appropriations by the Legislature. Estimates of savings related to these programs referenced above are made without consideration of appropriations levels currently being considered by the Eighty-second Legislature for the 2012-13 biennium and are estimated in reference to appropriation levels similar to those in the 2010-11 biennium. To the extent that actual appropriations in future fiscal years for these programs are greater than or less than the amounts assumed for purposes of this estimate, actual savings to the 2012-13 budget would vary.

Section 30.03
Provisions 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 $3,750,000 in General Revenue annually.

If the provisions of the bill related to the Early High School Graduation Scholarship and other higher education tuition exemptions decreased the number of students enrolled at higher education institutions, the legislature could reduce General Revenue formula funds and maintain the formula rate. The legislature could also decide to keep the same amount of General Revenue funds in the formula, thereby increasing the formula rate.

Article 32
The agency estimates there would be a minimal savings associated with implementing the provisions of the bill. No significant fiscal implication to the State is anticipated.

Article 33
There is no significant fiscal impact related to article 33 of the bill.

Technology

Article 24
Net savings for technology are estimated to be $470,980 over the 2012-13 biennium. This includes a savings of $148,480 associated with decreased workload; a savings of $450,000 related to data center services supporting the Lone Star Imaging Services contract; and a one-time cost of $127,500 in fiscal year 2012 to modify HHSC's automated eligibility system, TIERS.

Local Government Impact

Article 8
The potential fiscal impact on local governments relating to annual contributions of $.50 per member to the State Pension Review Board could vary depending on whether the local government sponsors of a public retirement system are impacted by the proposed assessment and on the membership size of the public retirement system. The smallest system according to membership information is a system with 1 member, thus the cost of the assessment would be $.50 per year to that public retirement system. The largest system according to membership data is 21,673 members, thus the cost of the assessment would be $10,836.50 per year.

Article 22 - Section 22.02
The bill would amend provisions related to maximum class size in early grades, which could affect local school district costs. The fiscal impact would vary.

Section 22.03 & Section 22.06
The bill would eliminate the state minimum salary schedule (MSS) for teachers, nurses, librarians, and counselors and would direct the Commissioner of Education to adopt an MSS by rule each year beginning in fiscal year 2013. To the extent that the Commissioner's MSS requires salary expenditures greater than those required by the MSS as it exists prior to enactment of the bill, school districts would be entitled to additional state aid through the FSP. To the extent that the Commissioner's MSS requires salary expenditures less than those required by the MSS as it exists prior to enactment of the bill, school districts would be required to make additional contributions to

TRS on salary amounts paid above the statutory minimum.

Source Agencies: 211 Court of Criminal Appeals, 212 Office of Court Administration, Texas Judicial Council, 302 Office of the Attorney General, 303 Facilities Commission, 323 Teacher Retirement System, 327 Employees Retirement System, 347 Public Finance Authority, 352 Bond Review Board, 454 Department of Insurance, 529 Health and Human Services Commission, 809 Preservation Board, 304 Comptroller of Public Accounts, 307 Secretary of State, 338 Pension Review Board, 356 Texas Ethics Commission, 403 Veterans Commission, 539 Aging and Disability Services, Department of, 701 Central Education Agency, 781 Higher Education Coordinating Board, 808 Historical Commission

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