

BILL ANALYSIS

C.S.H.B. 1
By: Pickett
Transportation Funding, Select
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties note that there is a need to create certain select committees on transportation funding, expenditures, and finance and to address the issue of preserving a sufficient balance in the economic stabilization fund. C.S.H.B. 1 seeks to address these issues by creating such committees and amending current law to provide for the determination and preservation of a sufficient balance in the fund.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1 amends the Transportation Code to require the Texas Department of Transportation (TxDOT), on or before August 31, 2015, to identify and implement savings and efficiencies that result in a total savings of at least \$100 million in funds appropriated to TxDOT for the 2014-2015 state fiscal biennium. The bill appropriates the amount saved for that fiscal biennium to TxDOT from the source from which the money was originally appropriated for the purpose of reducing the principal of and interest on bonds and other public securities issued, and bond enhancement agreements entered into, by the Texas Transportation Commission. The bill requires TxDOT, in making those payments, to maximize the use of all amounts appropriated to it; authorizes TxDOT to use savings realized through operational efficiencies, cost reductions, and costs savings; and prohibits TxDOT from reducing the amount of funding available for transportation projects. The bill requires TxDOT, not later than August 31, 2015, to report in writing to the legislature on the implementation of these provisions, which expire September 1, 2015.

C.S.H.B. 1 amends the Government Code to require the speaker of the house of representatives and the lieutenant governor, not later than September 1 of each even-numbered year, to appoint a select committee consisting of five members of the house appropriations committee and five members of the senate finance committee. The bill requires the select committee, not later than December 1 of each even-numbered year, to determine and adopt for the next state fiscal biennium a sufficient balance of the economic stabilization fund in an amount estimated to ensure an appropriate amount of revenue available in the fund. The bill sets out certain factors the select committee must consider in determining that balance and requires the comptroller of public accounts, on or before October 1 of each even-numbered year, to provide to the select committee the comptroller's projection of the amounts to be transferred to the fund during the next state fiscal biennium. The bill authorizes the adopted balance to be adjusted by filing a resolution proposing the adoption of a different amount, which must be filed not later than the 30th day of the regular legislative session that begins after the committee's adoption of the sufficient fund balance and must be approved by a majority of the members of both houses of the legislature not later than the 60th day of that legislative session, otherwise the resolution has no effect. The bill establishes that if the resolution is approved the amount of the sufficient fund

balance specified in the resolution is adopted and supersedes the balance adopted by the committee.

C.S.H.B. 1 requires the comptroller, before making transfers to the economic stabilization fund and the state highway fund for a state fiscal year, to determine whether the sum of the balance of the economic stabilization fund on the preceding August 31 and projected transfers of certain portions both of the unencumbered positive balances in the general revenue fund and of oil and gas production tax revenue to the fund is less than the adopted sufficient balance. If the sum is less than the sufficient balance, the bill requires the comptroller to reduce the allocation to the state highway fund and increase the allocation to the economic stabilization fund in equal amounts until the sufficient balance is achieved.

C.S.H.B. 1 requires the comptroller, if a sufficient balance has not been adopted for the comptroller to consider, to adjust the allocation of amounts to be transferred to the economic stabilization fund and the state highway fund so that the total of those amounts is transferred to the economic stabilization fund, except that the comptroller must reduce such a transfer as necessary to prevent the amount in the fund from exceeding its constitutional limit in effect for that biennium.

C.S.H.B. 1 adds temporary provisions, set to expire September 1, 2015, to require the speaker of the house of representatives and the lieutenant governor, as soon as practicable after the effective date of the bill's provisions relating to the economic stabilization fund's sufficient balance, to appoint a 10-member select committee consisting of an equal number of members from the house appropriations committee and the senate finance committee for the purpose of determining and adopting sufficient balances of the economic stabilization fund applicable to the transfers to be made to the fund for the 2015 state fiscal year (FY2015) and for the next fiscal biennium, respectively. The bill prohibits the comptroller from making the required transfers for FY2015 until the select committee has adopted a sufficient balance but requires the comptroller, if the select committee has not adopted the balance before the 30th day after the effective date, to make the transfers on that day entirely to the economic stabilization fund, less any amount necessary to prevent the fund from exceeding its constitutional limit.

C.S.H.B. 1 requires amounts transferred to the state highway fund from oil and gas production tax revenue in excess of a certain threshold, when appropriated, to be used and allocated throughout the state by TxDOT consistent with existing formulas adopted by the Texas Transportation Commission. Provisions relating to transfers to the economic stabilization fund and state highway fund based on the adoption of a sufficient balance for the economic stabilization fund take effect immediately on the final canvass of the election on the constitutional amendment providing for the transfer of certain general revenue to the economic stabilization fund and the state highway fund and for the dedication of the revenue transferred to the state highway fund, contingent on that amendment's approval by the voters.

C.S.H.B. 1 establishes select committees on transportation funding, expenditures, and finance in both the house and the senate, with their memberships appointed by the presiding officers of their respective chambers. The bill sets out the composition and organization of the select committees and requires the speaker and lieutenant governor to make committee appointments not later than November 30, 2013. The bill sets out meeting procedures and identifies the subjects to be reviewed, studied, and evaluated by the committees. The bill requires the committees to adopt joint recommendations related to the reviewed subjects and to provide a written report of the recommendations to the legislature not later than November 1, 2014. The bill provides for the exercise of any powers applicable either to a house or senate committee or to a joint committee, establishes that the two committees are considered a joint committee and that their separate operational costs may be borne in the same manner as the cost of a joint committee; authorizes the Texas Legislative Council to provide funding for the committees' operations, and applies the joint rules adopted by the 83rd Legislature for the administration of joint interim legislative study committees to the committees established under these provisions,

which expire January 13, 2015.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the bill does not receive the necessary vote, the 91st day after the last day of the legislative session.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. (a) The speaker of the house of representatives shall appoint nine members to a House Select Committee on Transportation Funding, Expenditures, and Finance and designate one member as chair. The lieutenant governor shall appoint nine members to a Senate Select Committee on Transportation Funding, Expenditures, and Finance and designate one member as chair. The speaker and lieutenant governor shall make the appointments not later than November 30, 2013.

(b) The committees established under this section may meet separately at the call of the chair of the committee or jointly at the call of both chairs. In joint meetings, the chairs shall act as joint chairs.

(c) The committees established under this section, meeting separately or jointly, shall review, study, and evaluate:

- (1) the future reliability of all current state transportation funding sources;
- (2) alternatives that may increase available state funding for surface transportation, including an examination of increases to current surface-transportation-related funding streams and possible diversions of non-surface-transportation-related funding streams toward surface transportation funding;
- (3) the use of debt financing in state transportation funding, including the uses of the Texas Mobility Fund, and the effects on long-term transportation planning of using debt financing;
- (4) alternative transportation funding options in use nationally and internationally;
- (5) current and historic appropriations to the Texas Department of Transportation, including:

HOUSE COMMITTEE SUBSTITUTE

SECTION 3. Substantially the same as introduced version.

(A) whether that agency's budget structure best maximizes the application of limited public funds toward highway maintenance and construction;

(B) whether there are opportunities to reduce the use of money from the state highway fund by that agency for activities not related to highway maintenance and construction, including such uses as employee salaries and benefits; and

(C) possible benefits of developing a budget for that agency for the 2016-2017 state fiscal biennium using zero-based budgeting principles;

(6) the uses of the state highway fund for agencies other than the Texas Department of Transportation, including and emphasizing the use of that fund for the Department of Public Safety of the State of Texas; and

(7) the original purpose of the economic stabilization fund established by Section 49-g, Article III, Texas Constitution, whether that purpose remains relevant, and whether it remains appropriate to continue using the net amount of oil and gas production taxes received in the 1987 state fiscal year as the basis for making general revenue transfers to the economic stabilization fund.

(d) Following consideration of the factors described by Subsection (c) of this section, the committees established under this section shall jointly adopt recommendations related to the reviewed subjects and shall provide a written report of the committees' recommendations on the reviewed subjects to the legislature not later than November 1, 2014.

(e) The committees established under this section may exercise any power of a committee of their respective chambers and any powers of a joint committee. For the purposes of this Act, the committees established under this section are considered a joint committee and the cost of operation of each committee may be borne in the same manner as the cost of a joint committee. The Texas Legislative Council may provide funding for the operations of the committees. To the extent not inconsistent with this resolution, the joint rules adopted by the 83rd Legislature for the administration of joint interim legislative study committees apply to the committees established under this section.

(f) This section expires January 13, 2015.

No equivalent provision.

SECTION 2. (a) Chapter 316, Government Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. PRESERVATION OF SUFFICIENT BALANCE IN ECONOMIC STABILIZATION FUND

Sec. 316.091. DEFINITIONS. In this subchapter:

(1) "Board" means the Legislative Budget Board.

(2) "Fund" means the economic stabilization fund.

Sec. 316.092. DETERMINATION OF SUFFICIENT BALANCE; LEGISLATIVE APPROVAL.

SECTION 1. Subchapter A, Chapter 222, Transportation Code, is amended by adding Section 222.0031 to read as follows:

Sec. 222.0031. REQUIRED REPAYMENT OF BONDS. (a) On or before August 31, 2015, the department shall identify and implement savings and efficiencies that result in a total savings of at least \$100 million in funds appropriated to the department for the state fiscal biennium ending August 31, 2015. The amount saved is appropriated for the state fiscal biennium ending August 31, 2015, to the department from the source from which the money was originally appropriated for the purpose of reducing the principal of and interest on bonds and other public securities issued, and bond enhancement agreements entered into, by the commission as authorized by Section 49-n, Article III, Texas Constitution, as proposed by H.J.R. 28, 78th Legislature, Regular Session, 2003.

(b) To make payments required under Subsection (a), the department:

(1) shall maximize the use of all amounts appropriated to the department;

(2) may use savings realized through operational efficiencies, cost reductions, and cost savings; and

(3) may not reduce the amount of funding available for transportation projects.

(c) Not later than August 31, 2015, the department shall report in writing to the legislature on the implementation of this section.

(d) This section expires September 1, 2015.

SECTION 2. (a) Chapter 316, Government Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. PRESERVATION OF SUFFICIENT BALANCE IN ECONOMIC STABILIZATION FUND

Sec. 316.091. DEFINITION. In this subchapter,

"fund" means the economic stabilization fund.

Sec. 316.092. DETERMINATION OF SUFFICIENT FUND BALANCE. (a) Not later than September 1 of each even-numbered year, the speaker of the house of representatives and the lieutenant governor shall appoint a select committee as follows:

(a) For the purposes of Section 49-g(c-2), Article III, Texas Constitution, before the board submits the budget as prescribed by Section 322.008(c), the board shall determine and adopt for the next state fiscal biennium a sufficient balance of the fund in an amount that the board estimates will ensure an appropriate amount of revenue available in the fund. In determining the sufficient balance for that fiscal biennium, the board shall consider:

- (1) the history of fund balances;
- (2) the history of transfers to the fund;
- (3) estimated fund balances during that fiscal biennium;
- (4) estimated transfers to the fund to occur during that fiscal biennium;
- (5) information available to the board regarding state highway congestion and funding demands; and
- (6) any other information requested by the board regarding the state's financial condition.

(b) On or before October 1 of each even-numbered year, the comptroller shall provide to the board the comptroller's projection of the amounts to be transferred to the fund during the next state fiscal biennium.

(c) The legislature by adoption of a resolution approved by at least two-thirds of the members of each house must approve the sufficient balance of the fund determined by the board under this section. If the legislature does not adopt a resolution as provided by this subsection, the comptroller shall adjust the allocation of amounts to be transferred to the fund and to the state highway fund as provided by Section 49-g(c), Article III, Texas Constitution, so that the total of those amounts are transferred to the economic stabilization fund, except that the comptroller shall reduce a transfer made under this subsection as necessary to prevent the amount in the fund from exceeding the limit in effect for that biennium under Section 49-g(g) of that

(1) the speaker of the house of representatives shall appoint five members of the house appropriations committee as members of the committee; and

(2) the lieutenant governor shall appoint five members of the senate finance committee as members of the committee.

(b) For the purposes of Section 49-g(c-2), Article III, Texas Constitution, not later than December 1 of each even-numbered year, the select committee shall determine and adopt for the next state fiscal biennium a sufficient balance of the fund in an amount that the committee estimates will ensure an appropriate amount of revenue available in the fund. In determining the sufficient balance for that fiscal biennium, the committee shall consider:

- (1) the history of fund balances;
- (2) the history of transfers to the fund;
- (3) estimated fund balances during that fiscal biennium;
- (4) estimated transfers to the fund to occur during that fiscal biennium;
- (5) information available to the committee regarding state highway congestion and funding demands; and
- (6) any other information requested by the committee regarding the state's financial condition.

(c) On or before October 1 of each even-numbered year, the comptroller shall provide to the select committee the comptroller's projection of the amounts to be transferred to the fund during the next state fiscal biennium.

(d) The sufficient fund balance adopted by the select committee under Subsection (b) may be adjusted by filing a resolution proposing that a different amount be adopted as the sufficient fund balance. The resolution must be filed not later than the 30th day of the regular legislative session that begins after the date the sufficient fund balance is adopted by the committee, and must be approved by a majority of the members of both houses of the legislature not later than the 60th day of that legislative session or the resolution has no effect. If the resolution is approved as provided by this subsection, the amount of the sufficient fund balance specified in the resolution is adopted and supersedes the balance adopted by the committee under Subsection (b).

article.

Sec. 316.093. ADJUSTMENT OF CONSTITUTIONAL ALLOCATIONS TO FUND AND STATE HIGHWAY FUND.

(a) Before the comptroller makes transfers for a state fiscal year in accordance with Section 49-g(c), Article III, Texas Constitution, the comptroller shall determine whether the sum of the balance of the fund on the preceding August 31, any projected transfer to the fund under Sections 49-g(b) of that article, and any projected transfer to the fund under Section 49-g(c) of that article in accordance with the allocations for the transfer as provided by Section 49-g(c-1) of that article is less than the sufficient balance adopted under Section 316.092.

(b) If the sum described by Subsection (a) is less than the sufficient balance adopted under Section 316.092, the comptroller shall adjust the allocation of amounts to be transferred to the fund and to the state highway fund as provided by Section 49-g(c), Article III, Texas Constitution, so that:

(1) the amount allocated for transfer to the fund is increased by an additional amount equal to the lesser of the remaining one-half of the sum of the amounts allocated for transfer under Sections 49-g (d) and (e) of that article or the amount necessary for the sufficient balance to be reached when considered together with other estimated transfers to the fund during the then-current fiscal year; and

(2) the amount allocated for transfer to the state highway fund is reduced by the amount of the increased allocation to the fund under Subdivision (1).

(c) If the board has not adopted under Section 316.092 a sufficient balance for the comptroller to consider under this section, the comptroller shall adjust the allocation of amounts to be transferred to the fund and to the state highway fund as provided by Section 49-g(c), Article III, Texas Constitution, so that the total of those amounts are transferred to the economic stabilization fund, except that the comptroller shall reduce a transfer made under this subsection as necessary to prevent the amount in the fund from exceeding the limit in effect for that biennium under Section 49-g(g) of that article.

Sec. 316.093. ADJUSTMENT OF CONSTITUTIONAL ALLOCATIONS TO FUND AND STATE HIGHWAY FUND.

(a) Before the comptroller makes transfers for a state fiscal year in accordance with Section 49-g(c), Article III, Texas Constitution, the comptroller shall determine whether the sum of the balance of the fund on the preceding August 31, any projected transfer to the fund under Section 49-g(b) of that article, and any projected transfer to the fund under Section 49-g(c) of that article in accordance with the allocations for the transfer as provided by Section 49-g(c-1) of that article is less than the sufficient balance adopted under Section 316.092.

(b) If the sum described by Subsection (a) is less than the sufficient balance adopted under Section 316.092, the comptroller shall reduce the allocation to the state highway fund provided by Section 49-g(c), Article III, Texas Constitution, and increase the allocation to the economic stabilization fund, in an equal amount, until the sufficient balance adopted under Section 316.092 is achieved.

(c) If under Section 316.092 a sufficient balance has not been adopted for the comptroller to consider under this section, the comptroller shall adjust the allocation of amounts to be transferred to the fund and to the state highway fund provided by Section 49-g(c), Article III, Texas Constitution, so that the total of those amounts is transferred to the economic stabilization fund, except that the comptroller shall reduce a transfer made under this subsection as necessary to prevent the amount in the fund from exceeding the limit in effect for that biennium under Section 49-g(g) of that article.

(d) As soon as practicable after the effective date of this section, the board shall determine and adopt a sufficient balance of the fund applicable to the transfers to be made under Section 49-g(c), Article III, Texas Constitution, for the state fiscal year beginning September 1, 2014, and a sufficient balance of the fund applicable to the transfers to be made under that section for the next fiscal biennium. The comptroller may not make the transfers required under that section for the state fiscal year beginning September 1, 2014, until the board has adopted a sufficient balance under this subsection. However, if the board has not adopted the balance before the 30th day after the effective date of this section, the comptroller shall make that transfer on the 30th day after the effective date of this section in accordance with Subsection (c) of this section. This subsection expires September 1, 2015.

(b) This section takes effect immediately on the final canvass of the election on the constitutional amendment proposed by the 83rd Legislature, 3rd Called Session, 2013, to provide for the transfer of certain general revenue to the economic stabilization fund and the state highway fund and for the dedication of the revenue transferred to the state highway fund, but only if that amendment is approved by the voters. If that amendment is not approved by the voters, this section has no effect.

SECTION 3. Except as otherwise provided by this Act:

(1) this Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided

(d) As soon as practicable after the effective date of this section, the speaker of the house of representatives and the lieutenant governor shall appoint a select committee in the manner required by Section 316.092(a), and that committee shall determine and adopt a sufficient balance of the fund applicable to the transfers to be made under Section 49-g(c), Article III, Texas Constitution, for the state fiscal year beginning September 1, 2014, and a sufficient balance of the fund applicable to the transfers to be made under that subsection for the next fiscal biennium. The comptroller may not make the transfers required under Section 49-g of that article for the state fiscal year beginning September 1, 2014, until the committee has adopted a sufficient balance under this subsection. However, if the committee has not adopted the balance before the 30th day after the effective date of this section, the comptroller shall make that transfer on the 30th day after the effective date of this section in accordance with Subsection (c). This subsection expires September 1, 2015.

Sec. 316.094. ALLOCATION OF CERTAIN AMOUNTS TRANSFERRED TO STATE HIGHWAY FUND. (a) Amounts transferred to the state highway fund under Section 49-g(c), Article III, Texas Constitution, when appropriated, must be used and allocated throughout the state by the Texas Department of Transportation consistent with existing formulas adopted by the Texas Transportation Commission.

(b) This section takes effect immediately on the final canvass of the election on the constitutional amendment proposed by the 83rd Legislature, 3rd Called Session, 2013, to provide for the transfer of certain general revenue to the economic stabilization fund and to the state highway fund and for the dedication of the revenue transferred to the state highway fund, but only if that amendment is approved by the voters. If that amendment is not approved by the voters, this section has no effect.

SECTION 4. Same as introduced version.

by Section 39, Article III, Texas Constitution; and
(2) if this Act does not receive the vote necessary for immediate effect, this Act takes effect on the 91st day after the last day of the legislative session.