LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 25, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB7** by Darby (Relating to the amounts, availability, and use of certain statutorily dedicated revenue and accounts; reducing or affecting the amounts or rates of certain statutorily dedicated fees and assessments; making an appropriation.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB7, Conference Committee Report: a positive impact of $107,220,612 through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013; or a positive impact of $97,707,766 through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013. Combined, the net loss to the General Revenue-Dedicated accounts and the net gain to General Revenue Fund 0001 associated with the reallocation of interest would offset each other, resulting in no significant impact for certification purposes. Other provisions of the bill that reduce General Revenue-Dedicated account balances would result in a negative impact on amounts available for certification.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The following tables reflect the estimated impact if the effective date of the bill is June 1, 2013.

All Funds, Six-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain from *State Parks Acct* 64	Probable Revenue Gain/(Loss) from *Alter Fuels Research Acct* 101
2013	$234,096	$13,997,750	$888,000	($5,201,500)
2014	$936,383	$42,362,000	$3,551,000	($1,930,000)
2015	$936,383	$48,754,000	$3,551,000	($1,930,000)
2016	$936,383	$48,754,000	$3,551,000	($1,930,000)
2017	($7,691,894)	$48,754,000	$3,551,000	($1,930,000)
2018	($7,691,894)	$48,754,000	$3,551,000	($1,930,000)

Fiscal Year	Probable Revenue Gain from *Local Parks Account* 467	Probable Revenue (Loss) from *Solid Waste Disposal Acct* 5000	Probable Revenue (Loss) from *Volunteer Fire Dept Assistance* 5064	Probable (Cost) from *System Benefit Account* 5100
2013	$19,000	($2,127,000)	($7,500,000)	$0
2014	$75,000	($8,700,000)	($11,500,000)	($500,000,000)
2015	$75,000	($8,600,000)	($11,500,000)	$0
2016	$75,000	($8,600,000)	($11,500,000)	$0
2017	$75,000	($8,600,000)	($11,500,000)	$0
2018	$75,000	($8,600,000)	($11,500,000)	$0

Fiscal Year	Probable Revenue (Loss) from *System Benefit Account* 5100	Probable Revenue Gain from *Large Cnty & Muni Rec & Parks* 5150	Probable (Cost) from *Oil & Gas Regulation* 5155	Probable Revenue Gain from *Oil & Gas Regulation* 5155
2013	$0	$16,000	($486,856)	$467,000
2014	($121,277,550)	$64,000	($1,947,425)	$1,400,000
2015	($124,241,572)	$64,000	($1,947,425)	$1,400,000
2016	($125,092,000)	$64,000	($1,947,425)	$1,400,000
2017	($125,444,000)	$64,000	($1,947,425)	$1,400,000
2018	($125,775,000)	$64,000	($1,947,425)	$1,400,000

Fiscal Year	Probable Revenue Gain/(Loss) from *Combined Select General Revenue Dedicated (Interest Reallocation)*	Probable Revenue (Loss) from *General Revenue-Dedicated - University Current Accounts*	Probable Revenue (Loss) from *Select General Revenue Dedicated (Specialty License Plates)*	Probable Revenue Gain from *New Other - Trust Fund of the Specialty License Plates*
2013	($10,186,250)	$0	$0	$0
2014	($45,522,000)	$0	($3,908,000)	$3,908,000
2015	($51,914,000)	$0	($2,760,000)	$2,760,000
2016	($51,914,000)	($680,000)	($2,760,000)	$2,760,000
2017	($51,914,000)	($684,000)	($2,760,000)	$2,760,000
2018	($51,914,000)	($687,000)	($2,760,000)	$2,760,000

The following tables reflect the estimated impact if the effective date of the bill is September 1, 2013.

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain from *State Parks Acct* 64	Probable Revenue Gain from *Alter Fuels Research Acct* 101
2014	$47,081,000	$936,383	$3,551,000	($6,649,000)
2015	$48,754,000	$936,383	$3,551,000	($1,930,000)
2016	$48,754,000	$936,383	$3,551,000	($1,930,000)
2017	$48,754,000	$936,383	$3,551,000	($1,930,000)
2018	$48,754,000	$936,383	$3,551,000	($1,930,000)

Fiscal Year	Probable Revenue Gain from *Local Parks Account* 467	Probable Revenue (Loss) from *Solid Waste Disposal Acct* 5000	Probable Revenue (Loss) from *Volunteer Fire Dept Assistance* 5064	Probable Revenue (Loss) from *System Benefit Account* 5100
2014	$75,000	($8,700,000)	($11,500,000)	($121,277,550)
2015	$75,000	($8,600,000)	($11,500,000)	($124,241,572)
2016	$75,000	($8,600,000)	($11,500,000)	($125,092,000)
2017	$75,000	($8,600,000)	($11,500,000)	($125,444,000)
2018	$75,000	($8,600,000)	($11,500,000)	($125,775,000)

Fiscal Year	Probable (Cost) from *System Benefit Account* 5100	Probable Revenue Gain from *Large Cnty & Muni Rec & Parks* 5150	Probable Revenue Gain from *Oil & Gas Regulation* 5155	Probable (Cost) from *Oil & Gas Regulation* 5155
2014	($500,000,000)	$64,000	$1,400,000	($1,947,425)
2015	$0	$64,000	$1,400,000	($1,947,425)
2016	$0	$64,000	$1,400,000	($1,947,425)
2017	$0	$64,000	$1,400,000	($1,947,425)
2018	$0	$64,000	$1,400,000	($1,947,425)

Fiscal Year	Probable Revenue Gain/(Loss) from *Combined Select General Revenue Dedicated (Interest Reallocation)*	Probable Revenue (Loss) from *General Revenue-Dedicated - University Current Accounts*	Probable Revenue (Loss) from *Select General Revenue Dedicated (Specialty License Plates)*	Probable Revenue Gain from *New Other - Trust Fund of the Specialty License Plates*
2014	($45,522,000)	$0	($3,908,000)	$3,908,000
2015	($51,914,000)	$0	($2,760,000)	$2,760,000
2016	($51,914,000)	($680,000)	($2,760,000)	$2,760,000
2017	($51,914,000)	($684,000)	($2,760,000)	$2,760,000
2018	($51,914,000)	($687,000)	($2,760,000)	$2,760,000

Fiscal Analysis

Among other provisions, the bill would implement recommendations in the Legislative Budget Board's report, "Options to Reduce Reliance on General-Revenue Dedicated Accounts for Certification of the State Budget" submitted to the Eighty-Third Texas Legislature, 2013. The bill would require the Legislative Budget Board (LBB) to develop and implement a process to review the dedication, appropriation, and accumulation of General Revenue-Dedicated Funds. The bill would require the LBB to incorporate into budget recommendations appropriate measures to reduce reliance on available dedicated revenue for certification and include with the budget recommendations plans for further reducing reliance for the succeeding six years.

The bill would make all interest or other earnings that accrue on revenue held in an account in the General Revenue Fund, any part of which Section 403.095, Texas Government Code, makes available for certification, available for any general governmental purpose. The bill requires the Comptroller of Public Accounts (Comptroller) to deposit the interest and earnings to the credit of the General Revenue Fund. The bill excepts from this provision interest or earnings on certain tuition revenue, or an account that accrues interest or other earnings on deposits of state or federal money the diversion of which is specifically excluded by federal law, including the General Revenue-Dedicated Lifetime License Endowment Account 540 and Game, Fish, and Water Safety Account 09.

The bill would reduce certain solid waste disposal fees, or "tipping" fees, by approximately one quarter. The bill would prohibit tipping fees from being applied to materials that are processed at composting and mulch processing facilities, except for materials that are utilized in the operation of or are disposed of in a landfill. Current law prohibits tipping fees from being applied to yard waste material composted at a composting facility. The bill would increase the allocation of tipping fee revenue deposited to the General Revenue-Dedicated Waste Management Account 549 from 50 to 66.7 percent, and would expand the purposes for which money in the account may be appropriated to include site remediation. The Texas Commission on Environmental Quality (TCEQ) would be required to issue a biennial report to the Legislature describing how the money from this allocation was spent. The bill would reduce the allocation of tipping fee revenue deposited to the General Revenue-Dedicated Solid Waste Disposal Fees Account 5000 from 50 to 33.3 percent.

The bill would authorize the use of battery sales fee revenue deposited to Hazardous and Solid Waste Remediation Fees Account 550 for environmental remediation at the site of a certain closed battery recycling facility, through September 30, 2014.

The bill would expand the purposes for which money in the General Revenue-Dedicated 9-1-1 Service Fees Account 5050 may be appropriated to include maintaining 9-1-1 service levels during transitions to newer technology, planning and deploying certain emergency network systems, and updating geospacial mapping technologies. The bill would also expand the purposes for which money in Account 5050 may be appropriated to include appropriations to the Texas A&M Forest Service for providing assistance to volunteer fire departments, under certain conditions.

The bill would expand the purposes for which money in the General Revenue-Dedicated Designated Trauma Facility and Emergency Medical Services Account 5111 may be appropriated to include appropriations to the Texas Higher Education Coordinating Board for graduate-level medical education programs or graduate-level nursing education programs.

The bill would require the Comptroller to limit the assessment against certain insurers for rural fire protection to the total amount that the General Appropriations Act appropriates from the Volunteer Fire Department Assistance Account 5064 for that fiscal year.

The bill would provide that certain fees collected for surface casing determination (groundwater protection) letters be deposited to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup (OGRC) Account No. 5155. The bill would expand the purposes for which money in Account 5155 may be appropriated to include certain activities regarding the use of alternative fuels. The bill would abolish the General Revenue-Dedicated Alternative Fuels Research and Education (AFRED) Account 101, and the fund balance would be transferred to the undedicated portion of the General Revenue Fund.

The bill would require the Comptroller to transfer, in addition to the appropriated amounts of sporting goods sales tax (SGST) to be credited to the Texas Parks and Wildlife Department, additional amounts of SGST sufficient to fund certain employee benefits costs.

The bill would require the Comptroller, not later than September 30, 2013, to eliminate all General Revenue-Dedicated accounts established for specialty license plates under Subchapter G, Chapter 504, Texas Transportation Code, and set aside the balances of these accounts for appropriation for their dedicated purpose. The bill would deposit, on or after September 1, 2013, the portion of a fee payable under Subchapter G deposited to the credit of these accounts to a trust fund created by the

Comptroller outside the General Revenue Fund.

The bill would amend the Utilities Code to eliminate the nonbypassable fee that finances the General Revenue-Dedicated-System Benefit Account No. 5100 (System Benefit Fund). The bill would eliminate the System Benefit Fund balance by authorizing the appropriation of money in the System Benefit Fund to provide a reduced electricity rate from the months of May through September for eligible low-income electricity customers: (1) not to exceed 82 percent in fiscal year 2014; and (2) not to exceed 15 percent in fiscal years 2015 and 2016. The bill would also allow money in the System Benefit Fund to be appropriated for customer education programs and administrative expenses incurred by the Public Utility Commission (PUC) in implementing and administering Chapter 39 of the Utilities Code. Statutes governing the System Benefit Fund would expire September 1, 2016. The bill would appropriate $500 million from the System Benefit Fund, in addition to other appropriations made from the System Benefit Fund by the Eighty-third Legislature, 2013, to eliminate the System Benefit Fund balance through the low income discount program and related activities.

The bill would require the Texas Commission on Environmental Quality (TCEQ) to report annually on corrective action status of certain petroleum contaminated sites. The bill would also require TCEQ to investigate the amount of fee revenue that would be necessary to cover the costs necessary to conclude certain programs and activities relating to the remediation of leaking petroleum storage tanks before September 1, 2021.

Effective September 1, 2015, the bill would eliminate the Doctoral Incentive Loan Repayment Set-Asides for Faculty and Administration (Revenue Object Code 3693), revenue from which are currently deposited to several university current accounts.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

Methodology

It is assumed that the costs to the Legislative Budget Board associated with the development and implementation of a process to review the dedication, appropriation, and accumulation of General Revenue-Dedicated Funds would not be significant and could be absorbed within existing resources.

According to the Comptroller, the allocation of all interest and earnings on balances and revenues in the General Revenue-Dedicated accounts that are used for certification purposes to General Revenue Fund 0001, with certain accounts excluded, would result in a revenue loss to those General Revenue-Dedicated accounts and a gain to General Revenue Fund 0001 in an amount estimated by the Comptroller to be approximately $107.6 million through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013, or $97.4 million through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013. Combined, the net loss to the General Revenue-Dedicated accounts and the net gain to General Revenue Fund 0001 associated with the reallocation of interest and earnings would offset each other, resulting in no significant impact for certification purposes.

According to the Comptroller, the reduction of rates for and revenue collections from certain solid waste disposal fees, and a change in the allocation of those fees, would result in a loss in revenue to General Revenue-Dedicated Solid Waste Disposal Fees Account 5000 in an amount estimated by the Comptroller to be $19.4 million through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013, or $17.3 million through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013. There would be no net effect for revenues allocated to General Revenue-Dedicated Waste Management Account 549. According to TCEQ, expanding the exemption from tipping fees to include materials used for mulch processing could significantly reduce revenue collections, but because certain information related to mulch processing is not reported to TCEQ, the potential fiscal impact cannot be determined.

Current collections from certain insurers for rural fire protection are $30 million per fiscal year. Assuming an appropriation of $18.5 million per fiscal year from General Revenue-Dedicated Volunteer Fire Department Assistance Account 5064, limiting the assessment to the total amount appropriated from Account 5064 would result in a loss of $11.5 million per fiscal year to that account.

Currently, funds collected for surface casing letters of determination are deposited into General Revenue and then a portion of those funds are appropriated to the Railroad Commission as part of the agency's General Revenue funding. The agency reports collections of $1.4 million in fiscal year 2012 from the expedited fee for surface casing letters of determination, and a General Revenue appropriation for the purpose of making surface casing determinations of $0.8 for the same year. According to the Comptroller of Public Accounts, upon passage of the bill, revenue to the General Revenue Fund would decrease by an estimated $1.4 million per fiscal year. Assuming fiscal year 2012 appropriation levels for the surface casing program would continue through fiscal year 2018, and assuming that amounts associated with employee benefits for surface casing FTEs currently paid out of General Revenue (estimated to be $161,643) would shift to the OGRC Account No. 5155 upon passage of the bill, it is estimated that costs out of the General Revenue Fund would decrease by $0.9 million per fiscal year. Likewise, revenues to the Oil and Gas Regulation and Cleanup Account No. 5155 would increase by $1.4 million, while costs to the account would increase by $0.9 million per fiscal year.

Abolishing the AFRED Account 101 would result in a one-time game of $4.7 million to the General Revenue Fund based on the estimated balance in the account on August 31, 2013 per the Comptroller's Biennial Revenue Estimate. The annual cost of the program, including appropriations and benefits of $1.0 million currently paid out of AFRED Account 101, would shift to the OGRC Account 5155. Because the bill would transfer revenue that is currently deposited to the AFRED Account 101 instead to the General Revenue Fund, the AFRED Account 101 would experience a loss of an estimated $2.0 per fiscal year, while the General Revenue Fund would experience a gain in the same amount.

The Comptroller's estimates were based on general revenue-dedicated accounts utilized by the TPWD that are currently appropriated SGST and only reflect employee benefits associated with the SGST portion of the accounts. In future fiscal years, benefits paid from the SGST proceeds, as appropriated, may involve additional transfers to the General Revenue-Dedicated Texas Parks and Wildlife Conservation and Capital Account No. 5004. As TPWD received no appropriations of SGST proceeds to transfer to this account in the 2012-13 biennium, any projected amounts are not included here.

The Comptroller reports that the following General Revenue-Dedicated accounts would be abolished and their revenue and balances would be moved to the trust fund: Texas Collegiate License Plates 5015; Read to Succeed Plates 5027; Big Bend National Park Plates 5030; Houston Livestock Show/Rodeo Scholarship Plates 5034; Attorney General Volunteer Advocate Program Plates 5036; Texas Reads Plates 5042; Girl Scout License Plates 5052; Tourism Plates 5053; Texas Special Olympics 5055; Texas A&M Kingsville Graduate Assistance Plates 5056; Waterfoul/Wetland Conservation Plates 5057; I Love Texas Plates 5086; Economic Development and Tourism 5110; Texas Music Foundation Plates 5113; Daughters of Republic of Texas Plates 5115; Texas Lions Camp Plates 5116; March of Dimes Plates 5117; Knights of Columbus Plates 5118; Cotton Boll Plates 5119; Marine Mammal Recovery Plates 5120; Share the Road Plates 5121; El Paso Mission Restoration 5122; Air Force Association of Texas Plates 5123; Boy Scout Plates 5126 Texas State Rifle Association Plates 5130; Master Gardener Plates 5131; Texas 4-H Plates 5132; Urban Forestry Plates 5133; Specialty License Plates General 5140; American Legion Plates 5141; and Marine Conservation Plates 5142. According to the Comptroller, certain specialty license plate revenue deposited to other General Revenue-Dedicated accounts not included in list above would also be moved to the trust fund. The abolishment of certain General Revenue-Dedicated specialty license plate accounts and the establishment of a trust outside of the General Revenue Fund for the deposit of the balances and revenue of the former accounts would result in a revenue loss to those General Revenue- Dedicated specialty plate accounts and a gain to the Trust Fund for Specialty License Plates, an Other Fund, in an amount estimated by the Comptroller to be $6.7 million through the biennium ending August 31. Moving balances from these General Revenue-Dedicated accounts to Other Funds outside of General Revenue would result in a negative impact on amounts available for certification.

This analysis is based on information provided by the Comptroller of Public Accounts (CPA) and the PUC. For the purpose of this analysis, it is assumed the nonbypassable fee of 55 cents per megawatt hour would no longer be assessed beginning on September 1, 2013, and no additional revenue would be deposited to the System Benefit Fund. This analysis does not consider interest accrued by the System Benefit Fund.

Based on the balance of the System Benefit Fund, estimated to be $811,283,000 at the end of fiscal year 2013 according to the Comptroller's 2014-15 Biennial Revenue Estimate, this analysis assumes the low-income discount program would be appropriated money from the System Benefit Fund sufficient to provide the following reduced rates for eligible electric customers from May to September: (1) an 82 percent discount in fiscal year 2014; (2) a 15 percent discount in fiscal year 2015; and (3) a 7 percent discount in fiscal year 2016. This analysis assumes appropriations at the PUC for wholesale and retail electric market oversight, customer education, and administrative costs would remain at the estimated 2014-15 appropriation level ($8,628,277 each fiscal year), and amounts shown above for the low income discount are in addition to appropriations for fiscal years 2014 and 2015 in the Conference Committee Report on Senate Bill 1, Eighty-third Legislature, 2013. Beginning in fiscal year 2017, because the balance in the System Benefit Fund would be depleted, this analysis assumes appropriations for wholesale and retail electric market oversight, customer education, and administrative costs would be from General Revenue. Based on the analysis of the PUC, duties and responsibilities associated with implementing the provisions of the bill could be accomplished utilizing existing resources.

According to TCEQ, the evaluation of the petroleum product delivery fee to determine the amount necessary to conclude the program and activities is not expected to have significant fiscal implications.

The Comptroller reports that the elimination of the Doctoral Incentive Loan Repayment Set-Asides for Faculty and Administration would result in a loss of revenue of approximately $680,000 per year beginning in fiscal year 2016.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either within or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality, 781 Higher Education Coordinating Board

LBB Staff: UP, KK, JI, JJ