

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 10, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HJR108 by Phillips (Proposing a constitutional amendment to limit the purposes for which revenue from motor vehicle registration fees, taxes on motor fuels and lubricants and motor vehicle tires and parts, and certain revenues received from the federal government may be used.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR108, As Introduced: a negative impact of (\$108,921) through the biennium ending August 31, 2015.

However, the bill will result in a negative impact of (\$166,852,801) beginning in FY 2016.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$108,921)
2015	\$0
2016	(\$166,852,801)
2017	(\$166,852,801)
2018	(\$333,705,602)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>State Highway Fund</i> 6
2014	(\$108,921)	\$0
2015	\$0	\$0
2016	(\$166,852,801)	\$166,852,801
2017	(\$166,852,801)	\$166,852,801
2018	(\$333,705,602)	\$333,705,602

Fiscal Analysis

The resolution would propose amendments of Sections 7-a and 7-b, Article VIII, Texas Constitution relating to the allocation and direction of the use of certain tax revenues.

The resolution would restrict revenues collected on the taxes imposed on new and used motor vehicle tires and new and used motor vehicle parts to use for the sole purpose of acquiring rights-of-way, for constructing and maintaining public roadways, and for administration of laws pertaining to supervision of traffic and safety on such roads. The resolution would remove provisions from Section 7-a permitting revenue from motor vehicle registration fees, taxes on motor fuels and lubricants and motor vehicle tires and parts, and certain revenues received from the federal government, to be used for policing public roadways and the payment of principal and interest on certain bonds and warrants.

The resolution would limit the three-fourths of net revenue from collection of taxes, other than gross production and ad valorem taxes, on motor fuels and lubricants that is not allocable to the available school fund to use for the sole purpose of constructing and maintaining public highways

A temporary provision would provide that the amendments to Sections 7-a and 7-b would apply only beginning with fiscal year 2016.

The proposed amendment would be submitted to voters at an election to be held November 5, 2013.

Methodology

The cost to the state for publication of the resolution is \$108,921 in fiscal year 2014.

The amendment's limitations on the uses of the specified revenues would affect funding of the policing and supervision of traffic and safety on public roadways, which is the responsibility of the Department of Public Safety (DPS). State Highway Fund 6 appropriations for DPS (including employee benefits) total \$663,974,381 for fiscal year 2013.

The resolution would allow DPS to use constitutionally dedicated revenue in Fund 6 in the 2014-15 biennium, but the agency would impose limitations on access these funds beginning in fiscal year 2016. This analysis assumes that the BRE will grow more than three times the amount of the reduction, so the 25 percent reduction of funds available was used. Using fiscal year 2013 as the base for funding levels for fiscal years 2016 and beyond, this analysis assumes a DPS biennial appropriation of \$1,327,948,762 from Fund 6 for the 2014–15 biennium.

For this analysis, the maximum amount that may be appropriated is assumed to be the appropriations provided by Subsection (d) of the resolution. The proposed amendment would continue to authorize the use of certain dedicated revenues deposited to Fund 6 for administration of laws pertaining to supervision of traffic and safety on public roadways, but would remove policing of such roadways from the constitutionally allowed uses of these revenues. This analysis assumes patrolling the public roadways is integral to the supervision of traffic safety on such roadways; therefore, it is assumed the provisions of the proposed amendment would not result in additional restrictions on the use of the applicable revenues held in Fund 6 for this purpose beyond the limitations illustrated below.

This analysis assumes (1) the total biennial appropriations to DPS for supervision of traffic and

safety on public roadways would remain constant in each subsequent fiscal year, (2) the biennial amount of Fund 6 appropriated would decrease by 25 percent each biennium, and (3) General Revenue Funds would be used to offset the Fund 6 reduction resulting in a cost to the General Revenue Fund and a savings to Fund 6 beginning in fiscal year 2016. DPS also refers administrative license revocation (ALR) cases to the State Office of Administrative Hearings (SOAH), for which SOAH is appropriated \$3,436,823 from Fund 6 in fiscal year 2013.

Because the bill would prohibit this method of financing, this analysis assumes that total appropriations for ALR cases would remain constant at \$6,873,646 in each biennium and General Revenue Funds would be used to offset reductions from Fund 6 appropriations in a similar manner.

Data from comptroller sales tax files on taxable sales of vendors that sell auto parts, accessories, and tires was used to estimate sales of parts and tires and the state sales tax thereon that would be dedicated to purposes specified in Article VIII, Section 7-a of the Texas Constitution, and extrapolated through fiscal year 2018 and subsequent years thereafter. Beginning in fiscal year 2016, an additional \$843,700,000 of revenue would be available for these constitutionally dedicated purposes and would no longer be available for its current general revenue spending purposes. This revenue impact would continue to grow each year thereafter at an annual growth rate of approximately five percent.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SD, AG, TG