

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 2, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR25 by Paxton (Proposing a constitutional amendment prescribing the purposes for which revenue from motor vehicle registration fees, certain motor vehicle-related taxes, and certain revenues received from the federal government may be used.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SJR25, 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 (\$133,482,241) 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, Seven-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|--------------------|---|
| 2014 | (\$108,921) |
| 2015 | \$0 |
| 2016 | (\$133,482,241) |
| 2017 | (\$266,964,482) |
| 2018 | (\$400,446,722) |
| 2019 | (\$533,928,963) |
| 2020 | (\$667,411,204) |

All Funds, Seven-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund 1 | Probable Savings/(Cost) from State Highway Fund 6 |
|--------------------|--|--|
| 2014 | (\$108,921) | \$0 |
| 2015 | \$0 | \$0 |
| 2016 | (\$133,482,241) | \$133,482,241 |
| 2017 | (\$266,964,482) | \$266,964,482 |
| 2018 | (\$400,446,722) | \$400,446,722 |
| 2019 | (\$533,928,963) | \$533,928,963 |
| 2020 | (\$667,411,204) | \$667,411,204 |

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 add revenues collected on the taxes imposed on new and used motor vehicle tires and new and used motor vehicle parts to the revenues collected for use in the State Highway Fund 6. 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 the policing and administration of laws pertaining to the supervision of traffic and safety and the payment of principal and interest on certain bonds and warrants.

A temporary provision would provide that the amendments to Sections 7-a and 7-b would apply only beginning with fiscal year 2020, but would further provide that, for each fiscal year beginning with fiscal 2016, the legislature shall proportionally decrease the amount of revenue described by Section 7-a, other than the portions of such revenues allocated to the available school fund or to counties, that is appropriated for any purpose other than acquiring rights-of-way and constructing and maintaining public roadways as necessary to comply with the prohibition of such appropriations beginning with fiscal 2020. The temporary provision would expire September 1, 2020.

The proposed amendment would be submitted to voters at an election to be held November 5, 2013, and would take effect on September 1, 2015.

Methodology

The temporary provision does not specify the amount of proportional decrease in the amount of appropriations from the State Highway Fund for non-highway purposes, however the estimate in the above table assumes these appropriations would be reduced by 20 percent each year beginning in fiscal year 2016.

The resolution would allow the Department of Public Safety (DPS) to use constitutionally dedicated revenue in Fund 6 in the 2014-15 biennium, but the agency would not be able to access these funds beginning in fiscal year 2016. Fund 6 appropriations for DPS (including employee benefits) for fiscal year 2013 total \$663,974,381. This analysis assumes that (1) the total appropriations for DPS would remain constant at fiscal year 2013 funding levels in each fiscal year, (2) the amount of Fund 6 appropriated would decrease by 20 percent each year, and (3) General Revenue Funds would be used to offset the Fund 6 reduction for fiscal years 2016 and

beyond resulting in a cost to the General Revenue Fund and a savings to Fund 6. 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 fiscal year 2013 levels 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 2020 and subsequent years thereafter. Beginning in fiscal year 2020, an additional \$1,025,500,000 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.

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

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, MW, SD, TG