

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 8, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SJR47** by Eltife (Proposing a constitutional amendment increasing the rate of the state sales and use tax and dedicating revenue derived from that rate increase to repaying certain transportation bonds.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SJR47, As Introduced: an impact of \$0 through the biennium ending August 31, 2015.

Early repayment of the transportation bonds would be expected to result in significant reductions in future interest cost; however, the resolution does not specify the schedule or other details of early repayments, thus the extent of interest cost savings is indeterminate at this time.

The cost to the state for publication of the resolution is \$108,921

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain from <i>New General Revenue Dedicated</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties and Special Districts</i>
2014	\$1,003,300,000	(\$13,200,000)	(\$4,500,000)	(\$2,300,000)
2015	\$1,802,400,000	(\$23,800,000)	(\$8,100,000)	(\$4,000,000)
2016	\$1,892,500,000	(\$25,000,000)	(\$8,500,000)	(\$4,200,000)
2017	\$1,987,100,000	(\$26,300,000)	(\$8,900,000)	(\$4,500,000)
2018	\$2,086,500,000	(\$27,600,000)	(\$9,400,000)	(\$4,700,000)

## **Fiscal Analysis**

This resolution would propose an amendment to Article VIII of the Texas Constitution to add new Section 32 to increase the rate of the state sales and use tax under Chapter 151 of the Tax Code and dedicate the revenue derived therefrom to repayment of certain transportation bonds.

The proposed amendment would impose the sales and use tax at a rate that is one-half of one percent more than the rate prescribed in general law.

The net revenue from this additional rate of tax would be deposited to the credit of a new account in General Revenue Fund. Interest earned on the account would be credited to the account. Revenue deposited to the new account and interest credited to the account would be dedicated to repay the principal of and interest on general obligation bonds issued by or on behalf of the Texas Department of Transportation on or before January 1, 2013, or the principal of and interest on related refunding bonds.

The proposed amendment would take effect January 1, 2014, and would expire on the earlier of September 1, 2030, or the date the principal of and interest on all the pertinent bonds are paid.

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

## **Methodology**

The effect on state sales tax revenue was calculated by multiplying the additional one-half of one percent rate by the forecast of the Chapter 151 sales and use tax base implicit in the 2014-15 Biennial Revenue Estimate, adjusting for reductions in sales and use taxable purchases in response to the increased tax rate, and extrapolating to subsequent years.

It is assumed the provisions of the resolution would authorize the use of the sales tax revenue for the repayment of TxDOT's non self-supporting Highway Improvement GO bonds and self-supporting Texas Mobility Fund GO bonds issued on or before January 1, 2013.

Early repayment of the transportation bonds would be expected to result in significant reductions in future interest cost; however, the schedule of early repayments is not specified in the resolution, thus the extent of interest cost savings can not be estimated. The outstanding principal of debt that would be eligible to be repaid under provisions of the resolution is approximately \$7,813 million. In FY 2014, the debt service for the bonds eligible to be repaid under provision of the resolution is \$434 million.

## **Local Government Impact**

Sales tax collections of local governments are also adjusted for reductions in taxable purchases resulting from the higher state sales tax rate.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD