

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 9, 2015

TO: Honorable John Otto, Chair, House Committee on Appropriations

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.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB7, As Introduced: a positive impact of \$155,797,000 through the biennium ending August 31, 2017. Provisions of the bill that reduce General Revenue-Dedicated account balances that are not offset by a gain to General Revenue or other General Revenue-Dedicated funds would offset the identified General Revenue Related gain.

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
2016	\$124,411,000
2017	\$31,386,000
2018	\$31,378,000
2019	\$31,372,000
2020	\$31,365,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Clean Air Account 151	Probable Revenue Gain/(Loss) from Petro Sto Tank Remed Acct 655	Probable Revenue Gain/(Loss) from Est Oth Educ & Gen Inco 770
2016	\$124,411,000	(\$2,907,000)	(\$10,800,000)	\$872,000
2017	\$31,386,000	(\$2,965,000)	(\$10,800,000)	\$890,000
2018	\$31,378,000	(\$3,024,000)	(\$10,800,000)	\$906,000
2019	\$31,372,000	(\$3,085,000)	(\$10,800,000)	\$918,000
2020	\$31,365,000	(\$3,147,000)	(\$10,800,000)	\$932,000

Fiscal Year	Probable Revenue Gain/(Loss) from 911 Service Fees 5050	Probable Savings/(Cost) from System Benefit Account 5100	Probable Revenue Gain/(Loss) from Trauma Facility And Ems 5111	Probable Savings/(Cost) from Regional Trauma Account 5137
2016	(\$11,731,000)	(\$111,152,902)	\$112,591,000	(\$96,488,000)
2017	(\$11,379,000)	(\$115,543,637)	\$16,103,000	\$0
2018	\$0	\$0	\$16,103,000	\$0
2019	\$0	\$0	\$16,103,000	\$0
2020	\$0	\$0	\$16,103,000	\$0

Fiscal Year	Probable Revenue Gain/(Loss) from Regional Trauma Account 5137	Probable Revenue Gain/(Loss) from Physician Ed. Loan Repayment 5144	Probable Savings/(Cost) from Educator Excellence Fund 5135	Probable Revenue Gain/(Loss) from Texas Mobility Fund 365
2016	(\$16,103,000)	(\$33,242,000)	(\$92,261,000)	\$2,907,000
2017	(\$16,103,000)	(\$32,496,000)	\$0	\$2,965,000
2018	(\$16,103,000)	(\$32,504,000)	\$0	\$3,024,000
2019	(\$16,103,000)	(\$32,510,000)	\$0	\$3,085,000
2020	(\$16,103,000)	(\$32,517,000)	\$0	\$3,147,000

Fiscal Analysis

Among other provisions, the bill would implement certain recommendations in the Legislative Budget Board policy report, "Further Reduce Reliance on General Revenue-Dedicated Accounts for Certification of the State Budget" (February 2015) submitted to the Eighty-fourth Legislature, 2015.

The bill would amend the Business and Commerce Code, Section 102.055, to repeal the dedication of sexually-oriented business fees in excess of the first \$25 million collected in a fiscal biennium to the Texas Health Opportunity Pool and instead remit biennial collections in excess of \$25 million to the General Revenue Fund. [Section 1.] The bill would also amend Government Code, Section 420.008, to expand the purposes for which monies in Sexual Assault Program Fund No. 5010 may be appropriated to include enforcement of human trafficking laws by any state agency or organization. [Section 6.]

The bill would amend the Education Code, Section 21.703, to remove language relating to the deposit of appropriated amounts to the Educator Excellence Innovation Fund No. 5135, and direct the Comptroller of Public Accounts (CPA) to transfer the unexpended balance in the fund to the General Revenue Fund within 90 days of the start of fiscal year 2016. [Sections 2 and 27, respectively.]

The bill would amend the Education Code, Chapter 56 to expand the purposes for which funds in the General Revenue-Dedicated Texas B-On-Time Student Loan Account No. 5103 may be appropriated to include appropriations to institutions of higher education (IHE) that contribute tuition set-asides to the account. The appropriation directly to IHEs, as authorized by the bill, may only be for purposes other than the Texas B-On-time loan program, and in proportion to the net amount the IHE previously contributed to the Texas B-On-Time Student Loan Account No. 5103. [Section 3.]

The bill would remove language directing the deposit of the medical tuition set-aside to the Physician Education Loan Repayment (PELRP) Account No. 5144. [See Section 4]. The bill would

repeal Section 61.539 of the Education Code, ending the 2 percent tuition set-aside for each student registered in a medical branch or school and related requirements for medical units of IHEs. [Section 24(1)]. The bill would amend the Tax Code, Chapter 155 to redirect the smokeless tobacco products tax allocation currently deposited to the PELRP Account No. 5144 to the General Revenue Fund, if the Comptroller of Public Accounts determines that the unencumbered beginning balance in the PELRP Account is sufficient to fund appropriations and other direct and indirect costs allocated to the account for the current state fiscal year. [Section 16.]

The bill would amend Chapter 614 of the Government Code to expand the purposes for which funds in the General Revenue-Dedicated Volunteer Fire Department Assistance Fund No. 5064 may be appropriated to include the state contribution for the Texas Emergency Services Retirement System (TESRS). [Section 7] A second provision affecting the Volunteer Fire Department Assistance Fund No. 5064 would exclude appropriations for state contributions to TESRS when setting the rate of the assessment on certain insurers [Section 13].

The bill would amend the Health and Safety Code, Section 382.0622(a) to clarify that \$2 of the amount remitted to the state for two-year inspection certificate fees for new passenger cars and light trucks is deposited to the General Revenue-Dedicated Clean Air Account No. 151. [Section 8.]

The bill would amend the Health and Safety Code, Section 382.0622(a), to suspend 9-1-1 emergency services fees on wire lines in areas served by Regional Planning Commissions, where fees are set by the Texas Commission on State Emergency Communications (CSEC) for the duration of a fiscal biennium, if the unencumbered balance of General Revenue-Dedicated 9-1-1 Services Fees Account No. 5050 and anticipated deposits of wireless telecommunications connection fees into the account are sufficient to fund all appropriations from the account. [Section 9.] The bill would also amend Section 771.071(a) of the Health and Safety Code to allow CSEC to set the 9-1-1 emergency service fee on wireless telecommunications connections in an amount the Commission determines is sufficient, together with anticipated revenue from the 9-1-1 emergency service fees on wire lines, to fund all 9-1-1 entities in the state . [Section 10.] The resulting wireless connection fee may not exceed \$0.50 per month for each connection, the amount of the existing fee for wireless telecommunications connections.

The bill would repeal Chapter 782 of the Health and Safety Code to abolish the General Revenue-Dedicated Regional Trauma Account No. 5137 and direct the Comptroller to transfer the unexpended balance in the account to General Revenue-Dedicated Designated Trauma Facility and EMS Account No. 5111 within 90 days of the start of Fiscal Year 2016. [Sections 24(3) and 28, respectively.] The bill would also amend the Transportation Code, Sections 542.406(c) and 707.008(a) to direct revenue from violations of photographic traffic control signal enforcement systems (red light cameras) currently deposited to the Regional Trauma Account No. 5137 to the Designated Trauma Facility and EMS Account No. 5111. [Sections 12, 17 and 18.]

The bill would amend the Occupations Code, Section 1701.156, to expand the allowable uses of the General Revenue-Dedicated Texas Commission on Law Enforcement Account No. 116 to include appropriations to the Department of Public Safety (DPS) for grants to local law enforcement agencies for training on incident-based reporting systems. The bill would allow DPS to adopt rules for the award of grants. [Section 14.] Another provision in the bill would remove any appropriations to DPS for incident-based reporting training grants from the allocation of account funds for continuing education provided by Section 1701.157(a) of the Occupations Code. [Section 15]

The bill would amend provisions in the Transportation Code, Sections 708.103 and 708.104,

related to the Driver Responsibility Program to reduce annual surcharge amounts for driving with no insurance and driving with no license by 50 percent for offenders that come into compliance with applicable laws under certain conditions. The annual surcharge for a person convicted of operating a vehicle without liability insurance that obtains a liability insurance policy meeting state requirements and prepays the policy for a period of at least 6 months would be reduced from \$250 to \$125. The annual surcharge for a person convicted of driving without a valid drivers' license would be reduced from \$100 to \$50 should the person obtain a drivers license no later than 60 day after the date of the offense. [Sections 19 and 20, respectively.]

The bill would amend the Utilities Code, Sections 39.903(m) and 39.9039, to extend the expiration dates of the System Benefit Fund and the Low-Income Discount Program, from September 1, 2016 to September 1, 2017. In addition, the bill would increase the discount rate available to eligible, low-income electric customers for the months of September, 2015, and May through August, 2016, from a rate not to exceed 15 percent to a rate not to exceed 33 percent in fiscal years 2015 and 2016. The bill would continue a discount rate not to exceed 33 percent for the months of September, 2016, and May through August in fiscal year 2017. [Sections 21 and 22.]

The bill would require the Texas Commission on Environmental Quality (TCEQ) to exclude amounts appropriated by the Legislature from the General Revenue-Dedicated Petroleum Storage Tank Remediation Account No. 655 for monitoring or remediation of releases occurring on or before December 22, 1998, when setting the petroleum product delivery fee. Currently, TCEQ sets fee rates at levels sufficient to cover amounts appropriated from the account for petroleum storage tank administration, regulation, enforcement, and monitoring and cleanup of leaking petroleum storage tanks. When setting fees, the Commission does not consider the existing balance in the account. This provision would cause the unexpended balance in the account to be used to fund monitoring and cleanup of the remaining sites with releases reported to the TCEQ on or before December 1998.

The bill would take effect September 1, 2015.

This bill 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 with 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.

Methodology

Estimates of the fiscal impact of the bill are based on analysis of available information by Legislative Budget Board staff and on information provided by agencies, as indicated below. In some cases, the fiscal impact of provisions of the bill may change based on future actions taken by the Legislature, including decisions impacting appropriations and revenue collections.

Based on the Comptroller's 2016-17 Biennial Revenue Estimate, the sexually oriented business fee will not reach \$25 million. As a result, the provision of this bill relating to the allocation of revenue from the fee is not anticipated to have a fiscal impact in the 2016-17 biennium. Collections from the sexually oriented business fee may exceed \$25 million in future biennia; however, whether and by what amount collections may exceed \$25 million cannot be determined at this time. The bill would expand the purposes for which funds in the Sexual Assault Program Fund No. 5010 may be appropriated to include enforcement of human trafficking laws by any state agency or organization. This fiscal note does not include any assumptions regarding the cost of appropriating funds for the enforcement of human trafficking laws as authorized by the bill.

According to CPA, the unexpended balance in the Educator Excellence Innovation Fund No. 5135 as of August 31, 2015 is projected to be \$92.3 million. For the purposes of this fiscal note, this analysis assumes that this amount will be transferred to the General Revenue Fund within the first three months of fiscal year 2016.

The unencumbered balance in the Texas B-On-Time Student Loan Account No. 5103 available for appropriation directly to contributing IHEs would depend on amounts appropriated by the Eighty-fourth Legislature for the Texas B-On-Time program. This fiscal note does not include any assumptions regarding the cost of appropriating directly to IHEs as authorized by the bill.

Based on information provided by CPA, the 2 percent tuition set-aside for medical schools and branches is divided equally between the General Revenue Fund and the PELRP Account No. 5144. Accordingly, the revenue loss to both the General Revenue Fund and the PELRP Account No. 5144 due to the repeal of the set-aside is estimated to be \$881,000 for the 2016-17 biennium. There is corresponding gain of an estimated \$1.8 million to medical schools, shown in the table above as Other Educational and General Funds (Fund 770).

According to the Comptroller's 2016-17 Biennial Revenue Estimate, the ending balance in the PELRP Account as of August 31, 2015 is projected to be \$116.4 million. This estimate assumes the balance in the PERLP Account would be sufficient to fund 2016-17 appropriations and an estimated \$64.9 million in smokeless tobacco tax receipts which would otherwise be deposited to the PERLP Account would instead be redirected to the General Revenue Fund in the 2016-17 biennium.

The fiscal impact of expanding allowable uses of funds in the Volunteer Fire Department Assistance Fund No. 5064 to include state contributions to TESRS is not included in this estimate because it depends on appropriation decisions. The bill provides that any amounts appropriated for this purpose would be funded out of the unexpended balance in Volunteer Fire Department Assistance Fund No. 5064.

According to the Comptroller, provisions in the bill pertaining to the allocation of fees from the initial inspection of new passenger cars and light trucks would result in a \$5.9 million loss to the Clean Air Account and a gain to the Texas Mobility Fund in the same amount for the 2016-17 biennium.

According to the Comptroller, the revenue loss to 9-1-1 Emergency Services Fee Account No. 5050 for the 2016-17 biennium is estimated to be \$23.1 million from wireline connection fees. This is based on anticipated revenues from fees on wireless telecommunications connections, the estimated ending balance for fiscal year 2015 from the Comptroller's 2016-17 Biennial Revenue Estimate, and assumes 2016-17 appropriations remain at 2014-15 levels. The fiscal impact for future biennia cannot be determined at this time because the amount of future appropriations and wireless telecommunication connection fee revenue is unknown at this time. Since the rate of the wireless telecommunication connection fee required to fund the state's 9-1-1 service entities is unknown, the fiscal impact of changes to the wireless 9-1-1 service fee cannot be determined at this time.

According to the Comptroller, redirecting revenue from red light camera violations and penalties from the abolished Regional Trauma Account No. 5137 to the Designated Trauma Facility and EMS Account No. 5111 would result in a biennial revenue loss of \$32.2 million to the Regional Trauma Account No. 5137 and a revenue gain of the same amount to the Designated Trauma Facility and EMS Account No. 5111. For purposes of this analysis, it is assumed that the fiscal year 2015 ending balance in the Regional Trauma Account No. 5137, which according to the

2016-17 Biennial Revenue Estimate is \$96.5 million, will be transferred to the Designated Trauma Facility and EMS Account No. 5111 within the first three months of fiscal year 2016.

The fiscal impact of authorizing the use of the Texas Commission on Law Enforcement Account No. 116 to fund training on incident-based reporting systems depends on appropriation decisions made by the House and the Senate. This fiscal note does not include any assumptions regarding the cost of appropriating funds for this purpose.

The fiscal impact of reducing the Driver Responsibility Program surcharge amounts for driving with no insurance and driving with no license cannot be determined because the number of people that would be eligible for a reduced surcharge is unknown. To the extent Driver Responsibility Program surcharge revenue would be reduced, there would be a loss to the General Revenue Fund and the Designated Trauma Facility and EMS Account No. 5111.

The Comptroller estimates that extending the expiration dates of the System Benefit Fund No. 5100 and the Low-Income Discount Program, together with the higher discount rate, would deplete the remaining balance in the Fund, which is estimated to be \$328.1 million, early in fiscal year 2017. The Public Utility Commission anticipates that current provisions in the Utility Code allow for the use of \$101,354,461 in fiscal year 2016. An increase in the discount rate from 15 percent to 33 percent in fiscal year 2016 would result in an additional \$111,152,902 from the account. It is anticipated the remaining \$115,543,637 would be used in fiscal year 2017 in order to implement the provisions of the bill.

According to the Comptroller, the anticipated reduction in fees due to the use of the unexpended balance to fund remediation of sites with releases reported prior to December 1998 will result in a revenue loss to the General Revenue Fund of \$440,000 in the 2016-17 biennium and to the Petroleum Storage Tank Remediation Account No. 655 of \$21.6 million in the 2016-17 biennium. Based on actual expenditures in fiscal year 2014, TCEQ indicates that \$10.8 million per fiscal year is spent for sites with releases reported prior to December 1998 from the Petroleum Storage Tank Remediation Account No. 655. This estimate assumes that costs continue at this level for the 2016-17 and future biennia. Current law provides that the Comptroller receive a 2 percent service charge from petroleum storage tank delivery fees. This amount is deposited to the General Revenue Fund.

Technology

No fiscal impact to technology is anticipated.

Local Government Impact

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

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 326 Texas Emergency Services Retirement System, 405 Department of Public Safety, 407 Commission on Law Enforcement, 473 Public Utility Commission of Texas, 477 Commission on State Emergency Communications, 529 Health and Human Services Commission, 537 State Health Services, Department of, 576 Texas A&M Forest Service, 582 Commission on Environmental Quality, 701 Central Education Agency, 781 Higher Education Coordinating Board

LBB Staff: UP, KK, JJ, ZS, GO

