

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 18, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

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; providing for the dedication and use of certain state revenue; reducing or affecting the amounts or rates of certain statutorily dedicated fees and assessments.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB7, Committee Report 2nd House, Substituted: a positive impact of \$134,448,458 through the biennium ending August 31, 2017. Provisions of the bill that reduce General Revenue-Dedicated funds would result in an additional negative impact on the 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.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$113,747,229
2017	\$20,701,229
2018	\$19,614,229
2019	\$18,499,229
2020	\$17,055,229

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from Coastal Protection Acct 27	Probable Revenue Gain/(Loss) from Clean Air Account 151
2016	\$115,107,229	(\$1,360,000)	\$30,194	(\$2,907,000)
2017	\$22,061,229	(\$1,360,000)	\$30,194	(\$2,965,000)
2018	\$20,974,229	(\$1,360,000)	\$30,194	(\$3,024,000)
2019	\$19,859,229	(\$1,360,000)	\$30,194	(\$3,085,000)
2020	\$18,415,229	(\$1,360,000)	\$30,194	(\$3,147,000)

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from System Benefit Account 5100</b>	<b>Probable Revenue Gain/(Loss) from Trauma Facility And Ems 5111</b>	<b>Probable Savings/(Cost) from Educator Excellence Fund 5135</b>	<b>Probable Savings/(Cost) from Regional Trauma Account 5137</b>
2016	(\$226,696,539)	\$112,591,000	(\$92,261,000)	(\$96,488,000)
2017	\$0	\$16,103,000	\$0	\$0
2018	\$0	\$16,103,000	\$0	\$0
2019	\$0	\$16,103,000	\$0	\$0
2020	\$0	\$16,103,000	\$0	\$0

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from Regional Trauma Account 5137</b>	<b>Probable Revenue Gain/(Loss) from Physician Ed. Loan Repayment 5144</b>	<b>Probable Revenue Gain/(Loss) from Alamo Complex 5152</b>	<b>Probable Revenue Gain/(Loss) from Oil &amp; Gas Regulation 5155</b>
2016	(\$16,103,000)	(\$33,242,000)	\$10,120	\$6,716,000
2017	(\$16,103,000)	(\$32,496,000)	\$10,120	\$6,737,000
2018	(\$16,103,000)	(\$30,986,000)	\$10,120	\$6,751,000
2019	(\$16,103,000)	(\$29,892,000)	\$10,120	\$6,766,000
2020	(\$16,103,000)	(\$28,472,000)	\$10,120	\$6,783,000

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from Artificial Reef Acct 679</b>	<b>Probable Savings/(Cost) from Various General Revenue-Dedicated License Plate Accounts</b>	<b>Probable Revenue Gain/(Loss) from Various General Revenue-Dedicated License Plate Accounts</b>	<b>Probable Revenue Gain/(Loss) from Texas Mobility Fund 365</b>
2016	\$47,458	(\$1,636,000)	(\$67,000)	\$2,907,000
2017	\$47,458	\$0	(\$67,000)	\$2,965,000
2018	\$47,458	\$0	(\$67,000)	\$3,024,000
2019	\$47,458	\$0	(\$67,000)	\$3,085,000
2020	\$47,458	\$0	(\$67,000)	\$3,147,000

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from Est Oth Educ &amp; Gen Inco 770</b>	<b>Probable Revenue Gain/(Loss) from License Plate Trust Fund No. 0802 802</b>	<b>Probable Revenue Gain/(Loss) from Texas Real Estate Commission Local Operating Trust Fund No. 0889</b>
2016	\$872,000	\$1,703,000	\$4,080,000
2017	\$890,000	\$67,000	\$4,080,000
2018	\$906,000	\$67,000	\$4,080,000
2019	\$918,000	\$67,000	\$4,080,000
2020	\$932,000	\$67,000	\$4,080,000

**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 102.054, to require that all sexually-oriented business fee collections be deposited to the General Revenue-Dedicated Sexual Assault Program Fund No. 5010. [Section 1.] The bill would make a related change, repealing

Business and Commerce Code, Section 102.055 to eliminate 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. [Section 31(1).]

The bill would also amend Government Code, Section 420.008(c), 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; funding to the Office of the Attorney General for grants to prevent sex trafficking and provide services for victims of sex trafficking, grants for sexual assault prevention and crisis services; funding to the Bureau of Business Research at the University of Texas at Austin to conduct research on sexual assault and domestic violence; and, any other designated state agency for the purpose of preventing sexual assault or improving services for victims of sexual assault. [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 34, respectively.]

The bill would remove language directing the deposit of the medical tuition set-aside to the Physician Education Loan Repayment (PELRP) Account No. 5144. [Section 3.] 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 institutions of higher education (IHEs). [Section 31(2).] 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 CPA determines that the unencumbered beginning balance in the PELRP Account is sufficient to fund appropriations and other direct and indirect costs from the account for the fulfillment of existing and expected physician loan repayment commitments during the current state fiscal biennium. The revenue redirected to the General Revenue Fund could only be appropriated for health care purposes. [Section 22.]

The bill would amend Government Code, Chapter 403, to exempt three additional General Revenue-Dedicated Accounts, the Coastal Protection Account No. 027, the Alamo Complex Account No. 5152, and the Artificial Reef Account No. 679, from the reallocation of interest accrued in certain dedicated accounts to the General Revenue Fund. [Section 5.]

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), subject to provisions in Government Code, Section 865.015 which limit the state's maximum contribution. [Section 7.] Another provision affecting the Volunteer Fire Department Assistance Fund No. 5064 would exclude appropriations to the Texas A&M Forest Service for grants to volunteer fire departments in a total amount not to exceed \$11.5 million and appropriations for state contributions to TESRS when setting the rate of the assessment on certain insurers for fiscal years 2016 and 2017. [Section 36.] Finally, the bill would amend Chapter 2007 of the Insurance Code to exclude TESRS contributions when setting the rate of the assessment on an ongoing basis. [Section 13.]

The bill would amend the Health and Safety Code, Section 361.014, to permit the Texas Commission on Environmental Quality (TCEQ) to provide funds from revenue collected from solid waste disposal and transportation fees deposited to the General Revenue-Dedicated Solid

Waste Disposal Account No. 5000 for grants to encourage entities located in areas designated as in nonattainment of the federal clean air standard or an affected county designated in Health and Safety Code, Section 386.001, to convert heavy-duty vehicles used for solid waste collection into vehicles powered by natural gas engines. [Section 8.]

The bill would amend the Health and Safety Code, Section 361.133, to authorize the use of certain dedicated revenue in the General Revenue-Dedicated Hazardous and Solid Waste Remediation Account No. 550 for the environmental remediation of a closed battery recycling facility located in a municipality with a population of greater than 120,000. This provision would expire September 30, 2016. [Section 9.]

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 10.]

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 CPA to transfer the unexpended balance in the account to the General Revenue-Dedicated Designated Trauma Facility and EMS Account No. 5111 within 90 days of the start of Fiscal Year 2016. [Sections 31(3) and 35, 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, 24 and 25.]

The bill would amend provisions in the Natural Resources Code, Chapter 81, to change the percentage of the fee for an exemption to certain rules deposited to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 from two-thirds to 100 percent of the proceeds, in effect redirecting one-third of fees currently deposited to the General Revenue Fund to the Oil and Gas Regulation and Cleanup Account No. 5155. [Sections 14 and 15.] The bill would also redirect pipeline safety inspection fee revenue, oil and gas disposal well permit fee revenue, and oil regulation tax receipts from the General Revenue Fund to the Oil and Gas Regulatory and Clean Account No. 5155. [Sections 29, 16 and 15; Sections 30 and 15; and Sections 17 and 15, respectively.]

The bill would amend the Occupations Code, Subsection 153.0535(b) to expand the allowable uses of the General Revenue-Dedicated Public Assurance Account No. 5105 to include appropriations for the Texas Medical Board's licensing program. [Section 18.]

The bill would amend the Occupations Code, Section 1105.003 to redirect the proceeds from fees and funds collected by the Texas Real Estate Commission that currently are deposited to the Foundation School Fund and the General Revenue Fund to the Commission's account in the Texas Treasury Safekeeping and Trust Company. [Section 19.]

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 also require DPS to adopt rules for the award of grants by January 1, 2016. [Sections 20 and 32]. 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 21.]

The bill would amend the Transportation Code, Section 504.6012, to require the CPA to set-aside the unexpended balances in any remaining General Revenue-Dedicated specialty license plate accounts be appropriated only for their dedicated purposes; and to provide that the receipts of the related license plate fees be deposited into an account within the License Plate Trust Fund No. 802. [Section 23.]

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 days after the date of the offense. [Sections 26 and 27, respectively.]

The bill would amend the Utilities Code, Section 39.9039(b), to eliminate the 15 percent cap on discount rates available to eligible, low-income electric customers in fiscal year 2016 and allow the PUC to set discount rates sufficient to deplete the balance in the System Benefit Fund. The bill would also eliminate existing restrictions on the months (currently September, 2015 and May through August, 2016) reduced rates would be available to eligible, low-income customers in fiscal year 2016. [Section 28.]

The bill would take effect September 1, 2015.

The 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.

The bill would expand the purposes for which funds in the Sexual Assault Program Fund No. 5010 may be appropriated. This fiscal note does not include any assumptions regarding the cost of appropriating funds for the existing and new allowable uses authorized by the bill. Based on the Biennial Revenue Estimate, sexually-oriented business fee collections to the Sexual Assault Program Fund No. 5010 will not exceed \$25 million in the 2016-17 biennium. No revenue gain to Fund No. 5010 would result from repealing the dedication of sexually-oriented business fees in excess of the first \$25 million collected each fiscal biennium to the Texas Health Opportunity Pool.

According to the 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 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.

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 a 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. This fiscal note makes no assumption regarding the appropriation of redirected smokeless tobacco tax receipts for healthcare purposes.

The fiscal impact of allowing the General Revenue-Dedicated Coastal Protection, Artificial Reef and Alamo Complex accounts to retain accrued interest is insignificant, resulting in an estimated loss to the General Revenue Fund of \$87,771 each fiscal year and annual gains of \$30,194, \$47,458, and \$10,120 to the Coastal Protection, Artificial Reef and Alamo Complex accounts, respectively.

Because the fiscal impact of the bill's provisions relating to the Volunteer Fire Department Assistance Fund No. 5064 depends on appropriation decisions, it is not included in this estimate. The bill provides that amounts appropriated to the Texas A&M Forest Service for grants to volunteer fire departments not-to-exceed \$11,500,000 each fiscal year and any amounts appropriated for state contributions to TESR in the 2016-17 biennium would be funded out of the unexpended balance in Volunteer Fire Department Assistance Fund No. 5064, rather than the annual assessment on certain insurers. According to the Biennial Revenue Estimate for the 2016-17 biennium, the unexpended balance in Fund No. 5064 as of August 31, 2015 is projected to be \$84.2 million.

The fiscal impact of expanding the allowable use of solid waste and transportation fees for grants to encourage entities located in clean air nonattainment and near nonattainment areas to convert heavy-duty waste collection vehicles into natural gas vehicles depends on appropriation decisions and the demand for such incentives. This fiscal note does not include any assumptions regarding the cost of appropriating funds to TCEQ for this purpose.

TCEQ is authorized to spend funds out of the General Revenue-Dedicated Hazardous and Solid Waste Remediation Account No. 550 for the remediation of a closed battery recycling facility. The bill would extend this authority through September 30, 2016. Since funds are allocated in the 2014-15 biennium for the remediation of a battery recycling facility, it is assumed that this provision would have no significant fiscal impact.

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.

Based on figures provided in the 2016-17 Biennial Revenue Estimate, 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.

Provisions in the bill which would redirect certain oil and gas tax and fee revenue from the General Revenue Fund to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 would result in a loss to the General Revenue Fund and a corresponding gain to the Oil and Gas Regulation and Cleanup Account of \$13.5 million for the 2016-17 biennium. According to the Biennial Revenue Estimate for the 2016-17 biennium, the most significant of the affected revenue sources is the pipeline safety fee which is projected to generate \$8.4 million during the 2016-17 biennium.

The fiscal impact of authorizing the use of the General Revenue-Dedicated Public Assurance Account No. 5105 for the Texas Medical Board's licensing program depends on appropriation decisions. This fiscal note does not include any assumptions regarding the cost of appropriating funds for this purpose.

The CPA estimates the fiscal impact of redirecting Real Estate Commission fees and funds to a fund outside the Treasury, managed by the Texas Safekeeping and Trust Company, would result in a revenue loss of \$2.7 million each fiscal year to the General Revenue Fund and \$1.4 million each fiscal year to the Foundation School Fund No. 193, and a gain to the Commission's local operating fund of \$4.1 million each fiscal year. The CPA indicates this analysis is based solely on the removal of the reference in Occupations Code Subsection 1105.003(d) to the current allocations from professional fee collections to the Foundation School and General Revenue funds under Subsection 1105.003(e), which is not modified by the bill and would continue to direct fees to those funds.

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 CPA estimates the unexpended balance in General Revenue-Dedicated license plate accounts to be approximately \$1.6 million, and the annual revenue to these accounts to be \$67,000 each fiscal year. For purposes of this analysis, it is assumed that the unexpended balance in the remaining General-Dedicated license plates and the annual revenue from license plate sales would be deposited to the License Plate Trust Fund No. 802.

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.

This analysis assumes that eliminating restrictions on the months in which reduced rates are available to low-income electric customers, and allowing PUC to set reduced rates sufficient to spend down the balance in the System Benefit Fund would result in the balance being depleted by the end of fiscal year 2016. The PUC estimates the remaining balance in the account to be approximately \$227.0 million.

**Technology**

No fiscal impact to technology is anticipated.

**Local Government Impact**

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

**Source Agencies:** 312 Securities Board, 407 Commission on Law Enforcement, 455 Railroad Commission, 459 Board of Architectural Examiners, 460 Board of Professional Engineers, 473 Public Utility Commission of Texas, 477 Commission on State Emergency Communications, 503 Texas Medical Board, 514 Optometry Board, 578 Board of Veterinary Medical Examiners, 601 Department of Transportation, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 326 Texas Emergency Services Retirement System, 405 Department of Public Safety, 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

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