

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

August 4, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB367 by Capriglione (Relating to the deposit of money received from the federal government and the authority of the comptroller concerning related funds and accounts.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB367, As Introduced: a positive impact of \$213,737,840 through the biennium ending August 31, 2019.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$213,737,840
2020	\$1,093,440,015
2021	\$297,624,515
2022	\$1,239,722,259

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Economic Stabilization</i> <i>Fund</i> 599	Probable Revenue Gain from <i>New Federal Fund</i>	Probable Revenue (Loss) from <i>General Revenue</i> <i>Federal Funds</i>
2018	\$0	\$0	\$24,693,419,000	(\$24,693,419,000)
2019	\$213,737,840	\$0	\$23,266,057,000	(\$23,266,057,000)
2020	\$1,093,440,015	(\$350,317,815)	\$23,266,057,000	(\$23,266,057,000)
2021	\$297,624,515	(\$1,180,017,466)	\$23,266,057,000	(\$23,266,057,000)
2022	\$1,239,722,259	(\$299,352,898)	\$23,266,057,000	(\$23,266,057,000)

Fiscal Analysis

The bill would amend Subchapter B of Chapter 403 of the Government Code, regarding general powers and duties of the Comptroller.

The bill would add new Section 403.0125 to prohibit the Comptroller of Public Accounts

(CPA) from depositing federal money to the credit of the General Revenue Fund (GR) and directs that interest, other earnings, earned credits, and indirect cost recoveries of federal funds shall be deposited to the credit of GR. The CPA could designate or create a fund or account in the treasury for the deposit of federal money and any earnings on the federal money; or merge, consolidate, or segregate funds or accounts or money deposited to funds or accounts.

The bill would take effect immediately if it received a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. Otherwise, the bill would take effect on the 91st day after the last day of the legislative session.

Methodology

The bill would make significant changes to the manner in which federal money is deposited, accounted for, reported, and used. As federal funds would not be deposited in GR, they no longer would be part of the Economic Stabilization Fund (ESF) maximum balance calculation. The bill's provisions would not affect the ESF cap for the 2018-19 biennium since that calculation is based on data from the previous 2016-17 biennium during which federal funds were deposited to GR. For the 2020-21 biennium, the ESF cap would decrease from an estimated \$16.7 billion to an estimated \$11.9 billion.

Based on the requirements of Section 49-g (c), Article III, Texas Constitution and estimates provided by the CPA, the FY 2020 transfer to the ESF of revenue based on severance tax collections would exceed the funds maximum authorized balance. Therefore, the FY 2020 transfer to the ESF of revenue based on severance tax collections would be reduced and those monies would remain in GR. This would reduce the set-aside of General Revenue for transfer in FY 2019. In addition, all interest and investment income earned on the ESF balance when the fund is at the maximum balance would be credited to GR, creating an additional gain to GR and corresponding loss to the ESF, beginning in fiscal year 2020.

The amount of General Revenue savings identified in the table above for 2021 and 2022 was extrapolated from estimates for 2019 and 2020 provided by the CPA and also are based on the estimated ESF cap in the out years. In fiscal year 2022, the ESF cap is expected to increase, therefore a portion of the estimated 2022 transfer based on severance taxes would be deposited into the ESF.

This legislation 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.

Technology

The HHS agencies indicated they would need to reconfigure their internal accounting system (Health and Human Services Accounting System) to establish a separate accounting of federal funds deposited outside of General Revenue; the agencies noted that any cost cannot be estimated at this time.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 529 Health and Human Services Commission

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