

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 4, 2017**

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

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

**IN RE: HB40** by Simmons (relating to the deposit of money received from the federal government and the authority of the comptroller concerning related funds and accounts.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB40, Committee Report 1st House, Substituted: a positive impact of \$825,105,000 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	\$825,105,000
2020	\$909,423,000
2021	\$576,976,000
2022	\$1,004,549,000

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

Fiscal Year	Probable Savings from General Revenue Fund 1	Probable Revenue (Loss) from Economic Stabilization Fund 599	Probable Revenue Gain from New Federal Fund	Probable Revenue (Loss) from General Revenue Federal Funds
2018	\$0	\$0	\$24,693,419,000	(\$24,693,419,000)
2019	\$825,105,000	\$0	\$23,266,057,000	(\$23,266,057,000)
2020	\$909,423,000	(\$836,311,000)	\$23,266,057,000	(\$23,266,057,000)
2021	\$576,976,000	(\$936,953,000)	\$23,266,057,000	(\$23,266,057,000)
2022	\$1,004,549,000	(\$589,958,000)	\$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 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 Comptroller 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.

This bill would take effect September 1, 2017.

### **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) cap 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.

This analysis assumes no appropriations are made from the ESF. Based on the requirements of Section 49-g (c), Article III, Texas Constitution and ESF estimates contained in the *2018-19 Biennial Revenue Estimate* the FY 2020 transfer to the ESF of revenue based on severance tax collections would exceed the funds maximum authorized balance. Therefore, there would be no transfer to the ESF of revenue based on severance tax collections and those monies would remain in GR. This would reduce the set-aside of General Revenue for transfer in fiscal year 2019. 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 Comptroller of Public Accounts and also are based on the estimated ESF cap in the out years.

If ESF appropriation levels of \$2.5 billion in Senate Bill 1, As Passed Second House are made, then the ESF would not be expected to exceed the maximum balance in the near term. Therefore no reduction of transfer to the ESF based on severance tax collections would occur in the five year forecast window and the bill would have no effect on General Revenue Related Funds available for certification in the 2018-19 biennium.

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

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