

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 17, 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.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB40, As Introduced: a positive impact of \$479,282,000 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	(\$268,848,000)
2019	\$748,130,000
2020	\$830,777,000
2021	\$496,222,000
2022	\$921,138,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from General Revenue Fund 1	Probable Revenue (Loss) from General Revenue Fund 1	Probable Certification Gain/Loss from Federal GR-D Accounts	Probable Revenue Gain from New Federal Fund
2018	\$0	(\$75,803,000)	(\$193,045,000)	\$33,192,360,000
2019	\$825,103,000	(\$76,973,000)	\$0	\$31,558,174,000
2020	\$909,423,000	(\$78,646,000)	\$0	\$31,559,847,000
2021	\$576,976,000	(\$80,754,000)	\$0	\$31,561,955,000
2022	\$1,004,549,000	(\$83,411,000)	\$0	\$31,564,612,000

Fiscal Year	Probable Revenue (Loss) from General Revenue Federal Funds	Probable Revenue (Loss) from Economic Stabilization Fund 599
2018	(\$32,923,512,000)	\$0
2019	(\$31,481,201,000)	\$0
2020	(\$31,481,201,000)	(\$836,311,000)
2021	(\$31,481,201,000)	(\$936,953,000)
2022	(\$31,481,201,000)	(\$589,958,000)

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 and earnings on federal money to the credit of the General Revenue Fund (GR) or to the credit of an account in GR. The Comptroller could establish a special fund in the treasury to hold money received from the federal government and any earnings on federal money.

The bill would take effect September 1, 2017.

Methodology

Under the bill's provisions, no federal monies including interest and other earnings could be deposited to GR, including to GR-Dedicated accounts. In the 2018-19 Biennial Revenue Estimate, ending balances for Federal General Revenue Dedicated Accounts, as well as revenue from earned federal funds - Supplemental Nutrition Assistance Program recoupment (COBJ 3602), Earned Credits (COBJ 3702) and Indirect Cost Recoveries (COBJ 3726) - were included in General Revenue-related funds available for certification. Those resources would no longer be available for certification. For purposes of certifying the 2018-19 General Appropriations Act, the amount of funds available for general purpose spending would be reduced by \$345,821,000.

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. Because of the loss of federal GR-D account balances available for certification and revenue from earned federal funds no longer being deposited to the General Revenue Fund, the amount of funds available for general purpose spending would be reduced by \$345.8 million under this scenario.

The bill requires the Comptroller to ensure federal money and earnings on federal money be used for the purposes for which federal money is received. The Comptroller cannot ensure all federal funds are spent in accordance with federal program guidelines, as this is the responsibility of those agencies to which the funds are granted and subsequently appropriated.

The bill would affect the size and timing of tax revenue anticipation notes.

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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