## LEGISLATIVE BUDGET BOARD
## Austin, Texas

## FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

### May 16, 2013

**TO:** Honorable Tommy Williams, 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; reducing or affecting the amounts or rates of certain statutorily dedicated fees and assessments; imposing certain court costs.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds for HB7, Committee Report 1st House, Substituted:** a negative impact of $9,461,960 through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013; or a negative impact of $8,306,056 through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013. Provisions of the bill that reduce General Revenue-Dedicated account balances would result in a negative impact on amounts available for certification.

The change to the spending limit calculation proposed by the bill would likely reduce the allowable growth rate in appropriations for subsequent biennia.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The following tables reflect the estimated impact if the effective date of the bill is June 1, 2013.

### All Funds, Six-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from *General Revenue Fund* 1 | Probable Revenue Gain/(Loss) from *General Revenue Fund* 1 | Probable Revenue Gain from *State Parks Acct* 64 | Probable Revenue Gain from *Local Parks Account* 467 |
|---|---|---|---|---|
| 2013 | $234,096 | ($1,390,000) | $888,000 | $19,000 |
| 2014 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |
| 2015 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |
| 2016 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |
| 2017 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |
| 2018 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |

| Fiscal Year | Probable (Cost) from *Waste Management Acct* 549 | Probable Revenue (Loss) from *Solid Waste Disposal Acct* 5000 | Probable Revenue (Loss) from *Volunteer Fire Dept Assistance* 5064 | Probable Revenue (Loss) from *Texas Emissions Reduction Plan* 5071 |
|---|---|---|---|---|
| 2013 | $0 | ($2,127,000) | ($7,500,000) | ($22,263,000) |
| 2014 | ($341,153) | ($8,700,000) | ($16,500,000) | ($91,102,000) |
| 2015 | ($341,153) | ($8,600,000) | ($16,500,000) | ($93,317,000) |
| 2016 | ($320,153) | ($8,600,000) | ($16,500,000) | ($118,222,000) |
| 2017 | ($320,153) | ($8,600,000) | ($16,500,000) | ($120,585,000) |
| 2018 | ($320,153) | ($8,600,000) | ($16,500,000) | ($122,968,000) |

| Fiscal Year | Probable (Cost) from *System Benefit Account* 5100 | Probable Revenue (Loss) from *System Benefit Account* 5100 | Probable Revenue Gain from *Large Cnty & Muni Rec & Parks* 5150 | Probable (Cost) from *Oil & Gas Regulation* 5155 |
|---|---|---|---|---|
| 2013 | $0 | $0 | $16,000 | ($234,096) |
| 2014 | ($50,000,000) | ($82,269,000) | $64,171 | ($936,383) |
| 2015 | ($53,122,056) | ($142,380,000) | $64,171 | ($936,383) |
| 2016 | ($53,080,087) | ($143,621,000) | $64,171 | ($936,383) |
| 2017 | ($53,037,687) | ($143,637,000) | $64,171 | ($936,383) |
| 2018 | ($53,037,687) | ($143,651,000) | $64,171 | ($936,383) |

| Fiscal Year | Probable Revenue Gain from *Oil & Gas Regulation* 5155 | Probable (Cost) from *New General Revenue Dedicated - Driving While Intoxicated Prevention* | Probable Revenue Gain from *New General Revenue Dedicated - Driving While Intoxicated Prevention* | Probable Revenue (Loss) from *Select General Revenue Dedicated (Specialty Plates)* |
|---|---|---|---|---|
| 2013 | $467,000 | $0 | $0 | ($1,847,000) |
| 2014 | $1,400,000 | ($300,000) | $300,000 | ($2,743,000) |
| 2015 | $1,400,000 | ($360,000) | $360,000 | ($2,760,000) |
| 2016 | $1,400,000 | ($360,000) | $360,000 | ($2,760,000) |
| 2017 | $1,400,000 | ($360,000) | $360,000 | ($2,760,000) |
| 2018 | $1,400,000 | ($360,000) | $360,000 | ($2,760,000) |

| Fiscal Year | Probable Savings from *State Highway Fund* 6 | Probable Revenue Gain from *New Other - Low-income Electric Customers Program Fund* | Probable Revenue Gain from *New Other - Trust Fund of the Specialty License Plates* | Change in Number of State Employees from FY 2013 |
|---|---|---|---|---|
| 2013 | $22,263,000 | $0 | $1,847,000 | 0.0 |
| 2014 | $91,102,000 | $65,293,000 | $2,743,000 | 5.0 |
| 2015 | $93,317,000 | $112,980,000 | $2,760,000 | 5.0 |
| 2016 | $118,222,000 | $113,794,000 | $2,760,000 | 5.0 |
| 2017 | $120,585,000 | $114,040,000 | $2,760,000 | 5.0 |
| 2018 | $122,968,000 | $114,371,000 | $2,760,000 | 5.0 |

The following tables reflect the estimated impact if the effective date of the bill is September 1, 2013.

| Fiscal Year | Probable Savings/(Cost) from *General Revenue Fund* 1 | Probable Revenue Gain/(Loss) from *General Revenue Fund* 1 | Probable Revenue Gain from *State Parks Acct* 64 | Probable Revenue Gain from *Local Parks Account* 467 |
|---|---|---|---|---|
| 2014 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |
| 2015 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |
| 2016 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |
| 2017 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |
| 2018 | $936,383 | ($5,089,411) | $3,550,316 | $74,924 |

| Fiscal Year | Probable (Cost) from *Waste Management Acct* 549 | Probable Revenue (Loss) from *Solid Waste Disposal Acct* 5000 | Probable Revenue (Loss) from *Volunteer Fire Dept Assistance* 5064 | Probable Revenue (Loss) from *Texas Emissions Reduction Plan* 5071 |
|---|---|---|---|---|
| 2014 | ($341,153) | ($8,700,000) | ($16,500,000) | ($91,102,000) |
| 2015 | ($320,153) | ($8,600,000) | ($16,500,000) | ($93,317,000) |
| 2016 | ($320,153) | ($8,600,000) | ($16,500,000) | ($118,222,000) |
| 2017 | ($320,153) | ($8,600,000) | ($16,500,000) | ($120,585,000) |
| 2018 | ($320,153) | ($8,600,000) | ($16,500,000) | ($122,968,000) |

| Fiscal Year | Probable (Cost) from *System Benefit Account* 5100 | Probable Revenue (Loss) from *System Benefit Account* 5100 | Probable Revenue Gain from *Large Cnty & Muni Rec & Parks* 5150 | Probable (Cost) from *Oil & Gas Regulation* 5155 |
|---|---|---|---|---|
| 2014 | ($50,000,000) | ($82,269,000) | $64,171 | ($936,383) |
| 2015 | ($53,122,056) | ($142,380,000) | $64,171 | ($936,383) |
| 2016 | ($53,080,087) | ($143,621,000) | $64,171 | ($936,383) |
| 2017 | ($53,037,687) | ($143,637,000) | $64,171 | ($936,383) |
| 2018 | ($53,037,687) | ($143,651,000) | $64,171 | ($936,383) |

| Fiscal Year | Probable Revenue Gain from *Oil & Gas Regulation* 5155 | Probable (Cost) from *New General Revenue Dedicated - Driving While Intoxicated Prevention* | Probable Revenue Gain from *New General Revenue Dedicated - Driving While Intoxicated Prevention* | Probable Revenue (Loss) from *Select General Revenue Dedicated (Specialty Plates)* |
|---|---|---|---|---|
| 2014 | $1,400,000 | ($300,000) | $300,000 | ($3,908,000) |
| 2015 | $1,400,000 | ($360,000) | $360,000 | ($2,760,000) |
| 2016 | $1,400,000 | ($360,000) | $360,000 | ($2,760,000) |
| 2017 | $1,400,000 | ($360,000) | $360,000 | ($2,760,000) |
| 2018 | $1,400,000 | ($360,000) | $360,000 | ($2,760,000) |

| Fiscal Year | Probable Savings from *State Highway Fund* 6 | Probable Revenue Gain from *New Other - Low-income Electric Customers Program Fund* | Probable Revenue Gain from *New Other - Trust Fund of the Specialty License Plates* | Change in Number of State Employees from FY 2013 |
|---|---|---|---|---|
| 2014 | $91,102,000 | $65,293,000 | $3,908,000 | 5.0 |
| 2015 | $93,317,000 | $112,980,000 | $2,760,000 | 5.0 |
| 2016 | $118,222,000 | $113,794,000 | $2,760,000 | 5.0 |
| 2017 | $120,585,000 | $114,040,000 | $2,760,000 | 5.0 |
| 2018 | $122,968,000 | $114,371,000 | $2,760,000 | 5.0 |

## Fiscal Analysis

Among other provisions, the bill would implement recommendations in the Legislative Budget Board's report, "Options to Reduce Reliance on General-Revenue Dedicated Accounts for Certification of the State Budget" submitted to the Eighty-Third Texas Legislature, 2013.

The bill would create a new court cost of $10 to be paid upon conviction of an offense relating to the operation of a motor vehicle while intoxicated. The new court cost would go to the State for deposit in a General Revenue-Dedicated account to the credit of the Office of the Governor to be used and may be appropriated only for the support of programs for the prevention of offenses relating to the operating of a motor vehicle while intoxicated.

The bill would require the Legislative Budget Board (LBB) to develop and implement a process to review the dedication, appropriation, and accumulation of General Revenue-Dedicated Funds. The bill would require the LBB to incorporate into budget recommendations appropriate measures to reduce reliance on available dedicated revenue for certification and include with the budget recommendations plans for further reducing reliance for the succeeding six years.

The bill would limit the growth of appropriations in a biennium from state tax revenues not dedicated by the constitution, as required by Government Code, Section 316.001 to the lesser of 1) the Comptroller's revenue estimate required by Government Code, Section 403.121, 2) the estimated rate of growth of the state's economy pursuant to Government Code, Section 316.002, or 3) a rate equal to the sum of the estimated biennial rate of growth of the state's population and the estimated biennial rate of monetary inflation in the state. This restriction on the growth of certain appropriations is commonly referred to as the spending limit.

The Legislative Budget Board (LBB) would be required to determine the estimated biennial rate of growth in the state's population based on the average rate of growth during the preceding six years according to United States Census Bureau estimates as certified by the Comptroller. The LBB would be required to determine the estimated biennial rate of monetary inflation in the state based on the average rate of change during the previous six years of the effective consumer price index for the state. The effective consumer price index for the state would be the average of the consumer price indexes (CPI) as determined by the United States Department of Labor for the Corpus Christi and Dallas/Fort Worth metropolitan areas. Note, the Bureau of Labor Statistics, a division of the United States Department of Labor, does not publish CPI for the Corpus Christi metropolitan area. Also, the Bureau of Labor Statistics reports economic data, but does not forecast economic data. Therefore, it can't be used to estimate population or inflation in the year preceding the biennium which would be restricted by the growth rate.

The bill would make all interest or other earnings that accrue on revenue held in an account in the General Revenue Fund, any part of which Section 403.095, Texas Government Code, makes available for certification, available for any general governmental purpose. The bill requires the Comptroller of Public Accounts (Comptroller) to deposit the interest and earnings to the credit of the General Revenue Fund. The bill excepts from this provision interest or earnings on certain tuition revenue, or an account that accrues interest or other earnings on deposits of state or federal money the diversion of which is specifically excluded by state or federal law.

The bill would reduce certain solid waste disposal fees, or "tipping" fees, by approximately one quarter. The bill would prohibit tipping fees from being applied to materials that are processed at composting and mulch processing facilities, except for materials that are utilized in the operation of or are disposed of in a landfill. Current law prohibits tipping fees from being applied to yard waste material composted at a composting facility. The bill would increase the allocation of tipping fee revenue deposited to the General Revenue-Dedicated Waste Management Account 549 from 50 to 66.7 percent, and would expand the purposes for which money in the account may be appropriated to include site remediation. The Texas Commission on Environmental Quality (TCEQ) would be required to issue a biennial report to the Legislature describing how the money from this allocation was spent. The bill would require activities to enhance the state's solid waste management programs to include certain activities. The bill would reduce the allocation of tipping fee revenue deposited to the General Revenue-Dedicated Solid Waste Disposal Fees Account 5000 from 50 to 33.3 percent.

The bill would authorize the use of battery sales fee revenue deposited to Hazardous and Solid Waste Remediation Fees Account 550 for environmental remediation at the site of a certain closed battery recycling facility, through September 30, 2014.

The bill would expand the purposes for which money in the General Revenue-Dedicated 9-1-1 Service Fees Account 5050 may be appropriated to include maintaining 9-1-1 service levels during transitions to newer technology, planning and deploying certain emergency network systems, and updating geospacial mapping technologies. The bill would also expand the purposes for which money in Account 5050 may be appropriated to include appropriations to the Texas A&M Forest Service for providing assistance to volunteer fire departments, under certain conditions.

The bill would expand the purposes for which money in the General Revenue-Dedicated Designated Trauma Facility and Emergency Medical Services Account 5111 may be appropriated to include appropriations to the Texas Higher Education Coordinating Board for graduate-level medical education programs or graduate-level nursing education programs.

The bill would require the Comptroller to limit the assessment against certain insurers for rural fire protection to the total amount that the General Appropriations Act appropriates from the Volunteer Fire Department Assistance Account 5064 for that fiscal year.

The bill would provide that certain fees collected for surface casing determination (groundwater protection) letters be deposited to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup (OGRC) Account No. 5155.

The bill would require the Comptroller to transfer, in addition to the appropriated amounts of sporting goods sales tax (SGST) to be credited to the Texas Parks and Wildlife Department, additional amounts of SGST sufficient to fund certain employee benefits costs.

The bill would require the Comptroller to monitor transfers to and from the General Revenue-Dedicated Emissions Reduction Plan Account 5071. The bill would make the transfer of State Highway Fund 0006 to the Comptroller for deposit to the Emissions Reduction Plan Account 5071, within certain limits, contingent on determinations by the Comptroller relating to amounts appropriated from Emissions Reduction Plan Account 5071 or on imposition of certain fee required by federal law. Specifically, the bill requires the Texas Department of Motor Vehicles (DMV) to remit non-constitutional State Highway Fund 0006 to the Comptroller for deposit to the Emissions Reduction Plan Account 5071 in an amount of money, not to exceed (rather than equal to) the amount of certificate of title fees deposited to the credit of the Texas Mobility Fund 0365, that the Comptroller determines is necessary to meet amounts appropriated from Emissions Reduction Plan Account 5071 or, after consultation with the Texas Commission on Environmental Quality (TCEQ), if a fee is imposed on stationary sources in certain counties as provided by 42 U.S.C. Section 7511d, an amount of money not to exceed the amount of the total of the fees that are attributable to certificate of title fees collected in certain nonattainment counties.

The bill would authorize the Texas Transportation Commission to designate for congestion mitigation projects or for deposit to the Texas Rail Relocation and Improvement Fund 0306 eligible amounts retained in the State Highway Fund 0006 because the amounts were not required to be remitted as authorized above, on the condition that TCEQ finds, after a public hearing, that the use of the funds for those purposes will be at least as effective as other eligible uses of those funds under the Texas Emissions Reduction Plan in maintaining or attaining compliance with the federal Clean Air Act. The bill would require those amounts to be deposited to Emissions Reduction Plan Account 5071 if that condition was not met.

The bill would require the Comptroller, not later than September 30, 2013, to eliminate all General Revenue-Dedicated accounts established for specialty license plates under Subchapter G, Chapter 504, Texas Transportation Code, and set aside the balances of these accounts for appropriation for their dedicated purpose. The bill would deposit, on or after September 1, 2013, the portion of a fee payable under Subchapter G deposited to the credit of these accounts to a trust fund created by the Comptroller outside the General Revenue Fund.

The bill would amend the Utilities Code to reduce the amount of nonbypassable fee that finances the General Revenue-Dedicated--System Benefit Account No. 5100 (System Benefit Fund) from a maximum of 65 cents per megawatt hour to two cents per megawatt hour. The bill would also require the Public Utility Commission (PUC) to adopt rules providing for reimbursements from appropriated system benefit fund money for uses authorized for funding. The bill would amend the list of items for which system benefit fund money may be appropriated.

The bill would establish a Low-Income Electric Customers Program Fund as a trust fund outside the treasury. The PUC would prescribe the maximum percentage of money available in the fund that may be used for expenses of administering the fund and for an annual independent audit and other expenditures. The bill would require the PUC to impose a nonbypassable Low- Income Electric Customers Program Fund fee to be set by the commission in an amount not to exceed 50 cents per megawatt hour. The bill would abolish the Low-Income Electric Customers Program Fund Fee after August 31, 2023. The bill would require the money in the Low-Income Electric Customers Program Fund to be spent on reduced electric rates for low-income customers and bill payment assistance for critical care residential customers as defined by the bill.

The bill would authorize the Legislature to appropriate from the System Benefit Fund not more than $100 million each biennium to fund weatherization and other energy efficiency programs. The bill would require the programs to be operated by a statewide network of federal weatherization program providers under federal weatherization guidelines. Any money appropriated for this purpose would be required to be transferred to the Low-Income Electric Customers Fund for disbursement. The bill would authorize the Legislature to appropriate money from the System Benefit Fund to ensure sufficient funding to pay for rate reductions, based on projections from the PUC submitted to the Legislative Budget Board.

The bill would require the Texas Commission on Environmental Quality (TCEQ) to report annually on corrective action status of certain petroleum contaminated sites. The bill would also require TCEQ to investigate the amount of fee revenue that would be necessary to cover the costs necessary to conclude certain programs and activities relating to the remediation of leaking petroleum storage tanks before September 1, 2021.

The bill would require the Comptroller to compute the amount by which total insurance premium taxes collected in the state fiscal biennium beginning September 1, 2013, exceed the amount of collections estimated by the Comptroller for that biennium in the Biennial Revenue Estimate (BRE) submitted in advance of the 83rd Legislature, 2013. The bill would require the first $340 million of the insurance premium taxes collected in excess of the estimate of collections in the BRE to be considered available for appropriation for providing the nonfederal share of disproportionate share hospital (DHS) supplemental payment program funds.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

## Methodology

The new $10 court cost that would be applied to four intoxication offense types is estimated to generate new revenue that would be deposited into a General Revenue-Dedicated account. According to the Office of Court Administration (OCA), in fiscal year 2012 there were 74,327 related convictions. For the revenue estimate the Comptroller of Public Accounts (CPA) assumed 72,000 convictions for the first year, a 50 percent collection rate, and no growth in convictions or collections. According to the Office of the Governor, revenue deposited to the new General Revenue-Dedicated account and appropriated to the agency would be expended in an equal amount to support related programming, including grants that support DWI prevention.

It is assumed that the costs to the Legislative Budget Board associated with the development and implementation of a process to review the dedication, appropriation, and accumulation of General Revenue-Dedicated Funds would not be significant and could be absorbed within existing resources.

Currently, Article VIII, Section 22 of the Texas Constitution limits the biennial growth of appropriations from state tax revenue not dedicated by the constitution to the estimated rate of growth of the state's economy. Section 316.002 of the Government Code, instructs the Legislative Budget Board to determine the growth of the state's economy by estimating the growth in Texas personal income. The change from a limit applying the growth of personal income to one applying the lesser of 1) the Comptroller's revenue estimate, 2) the estimated biennial rate of growth of Texas personal income, or 3) a rate equal to the sum of the estimated biennial rate of growth of the state's population and the monetary inflation would likely reduce the allowable growth rate in appropriations for subsequent biennia.

For the purpose of illustration, the estimated rate of growth of personal income used to set the 2014-15 spending limit was 10.71 percent. The 2014-15 growth rate proposed by the bill, based on annual Texas population growth plus annual CPI for the Dallas/Fort Worth metropolitan area, would be 7.50 percent. Lowering the growth rate by 3.21 percent would further restrict appropriation authority by $2.5 billion if the provisions applied to appropriations made in the 2014-15 biennium. Future appropriations would be additionally restricted if the growth rate was applied to a lower appropriations base. The provisions of the bill relating to the restriction on the growth of certain appropriations, would only apply to appropriations made for the 2016-17 biennium and subsequent biennia.

According to the Comptroller, provisions of the bill relating to the allocation of interest and earnings on balances and revenues in General Revenue-Dedicated accounts would have no revenue implications, since the exemption language appears to allow all General Revenue accounts to retain their interest earnings.

According to the Comptroller, the reduction of rates for and revenue collections from certain solid waste disposal fees, and a change in the allocation of those fees, would result in a loss in revenue to General Revenue-Dedicated Solid Waste Disposal Fees Account 5000 in an amount estimated by the Comptroller to be $19.4 million through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013, or $17.3 million through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013. There would be no net effect for revenues allocated to General Revenue-Dedicated Waste Management Account 549. According to TCEQ, expanding the exemption from tipping fees to include materials used for mulch processing could significantly reduce revenue collections, but because certain information related to mulch processing is not reported to TCEQ, the potential fiscal impact cannot be determined.

According to TCEQ, the bill would require the agency to implement certain solid waste management activities authorized in current law, such as funding demonstration projects conducting market research, and creating a state municipal solid waste superfund program. Current law does not require the agency to implement these activities. Implementation of a municipal solid waste superfund program would require a significant but indeterminate increase in agency appropriations. According to TCEQ, these activities were first enacted in 1990, and many of them were implemented by TCEQ's predecessor agency at the time. Since that time, recycling in Texas has matured and local jurisdictions are implementing solid waste grant programs. TCEQ reports that implementation of this provision would require 5 FTEs to manage funds provided to other state agencies, handle reporting requirements, and conduct research to promote development of recycled waste product markets. FTEs would be funded out of General Revenue-Dedicated Solid Waste Management account 549. Salary, benefits, and indirect costs for implementation of this provision are estimated to be $341,153 in fiscal year 2014, and $320,153 in each subsequent fiscal year.

Current collections from certain insurers for rural fire protection are $30 million per fiscal year. Assuming future appropriations would continue at the fiscal year 2013 amount of $13.5 million from General Revenue-Dedicated Volunteer Fire Department Assistance Account 5064, limiting the assessment to the total amount appropriated from Account 5064 would result in a loss of $16.5 million per fiscal year to that account.

Currently, funds collected for surface casing letters of determination are deposited into General Revenue and then a portion of those funds are appropriated to the Railroad Commission as part of the agency's General Revenue funding. The agency reports collections of $1.4 million in fiscal year 2012 from the expedited fee for surface casing letters of determination, and a General Revenue appropriation for the purpose of making surface casing determinations of $0.8 for the same year. According to the Comptroller of Public Accounts, upon passage of the bill, revenue to the General Revenue Fund would decrease by an estimated $1.4 million per fiscal year. Assuming fiscal year 2012 appropriation levels for the surface casing program would continue through fiscal year 2018, and assuming that amounts associated with employee benefits for surface casing FTEs currently paid out of General Revenue (estimated to be $161,643) would shift to the OGRC Account No. 5155 upon passage of the bill, it is estimated that costs out of the General Revenue Fund would decrease by $0.9 million per fiscal year. Likewise, revenues to the Oil and Gas Regulation and Cleanup Account No. 5155 would increase by $1.4 million, while costs to the account would increase by $0.9 million per fiscal year.

The Comptroller estimated the fiscal impacts of the bill based on the Comptroller's 2014-15 Biennial Revenue Estimate. The Comptroller's estimates were based on general revenue-dedicated accounts utilized by the TPWD that are currently appropriated SGST and only reflect employee benefits associated with the SGST portion of the accounts. In future fiscal years, benefits paid from the SGST proceeds, as appropriated, may involve additional transfers to the General Revenue-Dedicated Texas Parks and Wildlife Conservation and Capital Account No. 5004. As TPWD received no appropriations of SGST proceeds to transfer to this account in the 2012-13 biennium, any projected amounts are not included here.

For the purposes of the following estimate, it is assumed that there would be revenue sufficient to support appropriations from the Emissions Reduction Plan Account 5071, absent a transfer from the State Highway Fund 0006, and that a fee will not be imposed pursuant to 42 U.S.C. Section 7511d. According to the Comptroller, the modification of the transfer of non-constitutional State Highway Fund 0006 money to Account 5071 would result in a loss of revenue to Account 5071 in an amount estimated by the Comptroller to be $206.7 million through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013, or $184.4 million through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013, and a savings to State Highway Fund 0006 in an equal amount. If the Comptroller determines at a later time that a transfer is necessary to support appropriations from Account 5071, or that a fee has been imposed pursuant to 42 U.S.C. Section 7511d, the amount of the loss of revenue to Account 5071 and corresponding savings to State Highway Fund 0006 would be reduced. It is further assumed that all savings to State Highway Fund 0006 associated with this change in law would be retained in that account and available for authorized use, and that no deposits would be made to the Texas Rail Relocation and Improvement Fund 0306.

The Comptroller reports that the following General Revenue-Dedicated accounts would be abolished and their revenue and balances would be moved to the trust fund: Texas Collegiate License Plates 5015; Read to Succeed Plates 5027; Big Bend National Park Plates 5030; Houston Livestock Show/Rodeo Scholarship Plates 5034; Attorney General Volunteer Advocate Program Plates 5036; Texas Reads Plates 5042; Girl Scout License Plates 5052; Tourism Plates 5053; Texas Special Olympics 5055; Texas A&M Kingsville Graduate Assistance Plates 5056; Waterfoul/Wetland Conservation Plates 5057; I Love Texas Plates 5086; Economic Development and Tourism 5110; Texas Music Foundation Plates 5113; Daughters of Republic of Texas Plates 5115; Texas Lions Camp Plates 5116; March of Dimes Plates 5117; Kights of Columbus Plates 5118; Cotton Boll Plates 5119; Marine Mammal Recovery Plates 5120; Share the Road Plates 5121; El Paso Mission Restoration 5122; Air Force Association of Texas Plates 5123; Boy Scout Plates 5126 Texas State Rifle Association Plates 5130; Master Gardener Plates 5131; Texas 4-H Plates 5132; Urban Forestry Plates 5133; Specialty License Plates General 5140; American Legion Plates 5141; and Marine Conservation Plates 5142. According to the Comptroller, certain specialty license plate revenue deposited to other General Revenue-Dedicated accounts not included in list above would also be moved to the trust fund.

The abolishment of certain General Revenue-Dedicated specialty license plate accounts and the establishment of a trust outside of the General Revenue Fund for the deposit of the balances and revenue of the former accounts would result in a revenue loss to those General Revenue-Dedicated specialty plate accounts and a gain to the Trust Fund for Specialty License Plates, an Other Fund, in an amount estimated by the Comptroller to be $7.4 million through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013, or $6.7 million through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013. Moving balances from these General Revenue-Dedicated accounts to Other Funds outside of General Revenue would result in a negative impact on amounts available for certification.

The following analysis is based on information provided by the Comptroller and the PUC. For the purpose of this analysis, it is assumed that the new fee would be assessed at 50 cents per megawatt hour and in the same manner as the fee assessed under current law. According to the Comptroller, collections of that fee would begin in fiscal year 2014 and the revenue would be deposited to the Low-Income Electric Customers Program Fund. The bill requires PUC to have rules in place to administer the new structure by January 1, 2014, and this analysis assumes no fiscal changes occur prior to that date. Therefore, this analysis also assumes the nonbypassable utility fee collections would be set at the statutory maximum rate of 2 cents per megawatt hour and would begin to affect the System Benefit Fund beginning February 1, 2014; remittances earlier in the fiscal year would be assessments based on the 65 cent rate. This analysis assumes the new Low-Income Electric Customers Program Fund would begin seeing collections in February 1, 2014. This analysis also assumes the Legislature would appropriate $50 million each year from the System Benefit Fund for weatherization or other energy efficiency programs as authorized in the bill.

This analysis assumes appropriations at the PUC for wholesale and retail electric market oversight, customer education, and administrative costs would remain at the 2012-13 appropriation level ($7.6 million each fiscal year). Based on information provided by the Comptroller, there would be sufficient fee generated revenue to be deposited into the System Benefit Fund in fiscal year 2014 to cover the administrative costs. This analysis assumes the total fee generated revenue to be deposited into the System Benefit Fund would be $4.5 million in fiscal year 2015; $4.5 million in fiscal year 2016, $4.6 million in fiscal year 2017, and $4.6 million in fiscal year 2018, based on information provided by the Comptroller. This analysis assumes that the difference between the appropriations and revenues generated from the 2 cents per megawatt hour fee would be covered by the balance remaining in the System Benefit Fund. Also, this analysis does not consider interest that would be accruing in the System Benefit Fund beginning in fiscal year 2014.

This bill does not specifically address the balance in the System Benefit Fund, estimated to be $811.3 million at the end of fiscal year 2013 according to the Comptroller's 2014-15 Biennial Revenue Estimate. This analysis assumes that the balance would remain in that General Revenue-Dedicated account notwithstanding amounts to cover appropriations at the PUC for wholesale and retail electric market oversight, customer education, and administrative costs and appropriations for weatherization and other energy efficiency programs, as well as to support rate reductions under the low-income electric customers programs, as outlined above. To the extent that balances are appropriated for this purpose, there would be a negative impact on amounts available for certification. Based on analysis of the PUC, duties and responsibilities associated with implementing the provisions of the bill could be accomplished utilizing existing resources. This analysis assumes that the costs associated with implementing the provisions of the bill related to the administration of the new Low-Income Electric Customers Program and Fund would be funded from that fund.

According to TCEQ, the evaluation of the petroleum product delivery fee to determine the amount necessary to conclude the program and activities is not expected to have significant fiscal implications.

The Comptroller reports that the fiscal impact of the provisions of the bill dedicating the first $340 million in insurance premium tax collections above the amount estimated in the 2014-15 Biennial Revenue Estimate to DSH cannot be determined at this time, because it is dependent on actual collections above estimated amounts.

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 within 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.

## Local Government Impact

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

**Source Agencies:** 212 Office of Court Administration, Texas Judicial Council, 301 Office of the Governor, 304 Comptroller of Public Accounts, 454 Department of Insurance, 473 Public Utility Commission of Texas, 477 Commission on State Emergency Communications, 582 Commission on Environmental Quality, 601 Department of Transportation, 802 Parks and Wildlife Department

**LBB Staff:** UP, KK, JI, JJ