LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 25, 2013

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

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 account; reducing or affecting the amounts or rates of certain statutorily dedicated fees and assessments.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB7, Committee Report 1st House, Substituted: a positive impact of $107,679,862 through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013; or a positive impact of $97,590,766 through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013. Combined, the net loss to the General Revenue-Dedicated accounts and the net gain to General Revenue Fund 0001 associated with the reallocation of interest would offset each other, resulting in no significant impact for certification purposes. Other provisions of the bill that reduce General Revenue-Dedicated account balances would result in a negative impact on 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.

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 (Loss) from *Solid Waste Disposal Acct* 5000	Probable Revenue (Loss) from *Volunteer Fire Dept Assistance* 5064
2013	$234,096	$9,855,000	($2,127,000)	($7,500,000)
2014	$936,383	$44,663,000	($8,700,000)	($16,500,000)
2015	$936,383	$51,055,000	($8,600,000)	($16,500,000)
2016	$936,383	$51,055,000	($8,600,000)	($16,500,000)
2017	$936,383	$51,055,000	($8,600,000)	($16,500,000)
2018	$936,383	$51,055,000	($8,600,000)	($16,500,000)

Fiscal Year	Probable Revenue (Loss) from *Texas Emissions Reduction Plan* 5071	Probable Savings/(Cost) from *System Benefit Account* 5100	Probable Revenue Gain/(Loss) from *System Benefit Account* 5100	Probable Savings/(Cost) from *Oil & Gas Regulation* 5155
2013	($22,263,000)	$0	$0	($234,096)
2014	($91,102,000)	($25,000,000)	($82,269,000)	($936,383)
2015	($93,317,000)	($28,122,056)	($142,380,000)	($936,383)
2016	($118,222,000)	($28,080,087)	($143,621,000)	($936,383)
2017	($120,585,000)	($28,037,687)	($143,637,000)	($936,383)
2018	($122,968,000)	($28,037,687)	($143,651,000)	($936,383)

Fiscal Year	Probable Revenue Gain/(Loss) from *Oil & Gas Regulation* 5155	Probable Revenue (Loss) from *Combined Select General Revenue Dedicated (Interest Reallocation)*	Probable Revenue (Loss) from *Select General Revenue Dedicated (Specialty Plates)*	Probable Revenue (Loss) from *Federal Funds* 555
2013	$467,000	($10,322,000)	($1,847,000)	($7,400,000)
2014	$1,400,000	($46,063,000)	($2,743,000)	($29,600,000)
2015	$1,400,000	($52,455,000)	($2,760,000)	($29,600,000)
2016	$1,400,000	($52,455,000)	($2,760,000)	($29,600,000)
2017	$1,400,000	($52,455,000)	($2,760,000)	($29,600,000)
2018	$1,400,000	($52,455,000)	($2,760,000)	($29,600,000)

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

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

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue (Loss) from *Solid Waste Disposal Acct* 5000	Probable Revenue (Loss) from *Volunteer Fire Dept Assistance* 5064
2014	$44,663,000	$936,383	($8,700,000)	($16,500,000)
2015	$51,055,000	$936,383	($8,600,000)	($16,500,000)
2016	$51,055,000	$936,383	($8,600,000)	($16,500,000)
2017	$51,055,000	$936,383	($8,600,000)	($16,500,000)
2018	$51,055,000	$936,383	($8,600,000)	($16,500,000)

Fiscal Year	Probable Revenue (Loss) from *Texas Emissions Reduction Plan* 5071	Probable Revenue Gain/(Loss) from *System Benefit Account* 5100	Probable Savings/(Cost) from *System Benefit Account* 5100	Probable Revenue Gain/(Loss) from *Oil & Gas Regulation* 5155
2014	($91,102,000)	($82,269,000)	($25,000,000)	$1,400,000
2015	($93,317,000)	($142,380,000)	($28,122,056)	$1,400,000
2016	($118,222,000)	($143,621,000)	($28,080,087)	$1,400,000
2017	($120,585,000)	($143,637,000)	($28,037,687)	$1,400,000
2018	($122,968,000)	($143,651,000)	($28,037,687)	$1,400,000

Fiscal Year	Probable Savings/(Cost) from *Oil & Gas Regulation* 5155	Probable Revenue (Loss) from *Combined Select General Revenue Dedicated (Interest Reallocation)*	Probable Revenue (Loss) from *Select General Revenue Dedicated (Specialty Plates)*	Probable Revenue (Loss) from *Federal Funds* 555
2014	($936,383)	($46,063,000)	($3,908,000)	($29,600,000)
2015	($936,383)	($52,455,000)	($2,760,000)	($29,600,000)
2016	($936,383)	($52,455,000)	($2,760,000)	($29,600,000)
2017	($936,383)	($52,455,000)	($2,760,000)	($29,600,000)
2018	($936,383)	($52,455,000)	($2,760,000)	($29,600,000)

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

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 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 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 on certain federal deposits.

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 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 appropriations to the Texas A&M Forest Service for providing assistance to volunteer fire departments. 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 fees collected under Natural Resources Code, § 91.0115, for surface casing determination (groundwater protection) letters fees be deposited to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup (OGRC) Account No. 5155.

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 authorizes the Comptroller to require the Texas Department of Motor Vehicles (DMV) to remit (rather than requires DMV to remit) non-constitutional State Highway Fund 0006 to the Comptroller for deposit to the Emissions Reduction Plan Account 5071 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 additional $5 collected in fees that is 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.

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 annual independent auditing and other expenditures. The bill would require the commission 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 $50 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 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 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

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.

According to the Comptroller, the allocation of all interest and earnings on balances and revenues in the General Revenue-Dedicated accounts that are used for certification purposes to General Revenue Fund 0001, with certain accounts excluded, would result in a revenue loss to those

General Revenue-Dedicated accounts and a gain to General Revenue Fund 0001 in an amount estimated by the Comptroller to be $108.8 million through the biennium ending August 31, 2015, if the effective date of the bill is June 1, 2013, or $98.5 million through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013. According to the Comptroller, General Revenue-Dedicated accounts excluded from this provision based on federal deposits include Federal Civil Defense and Disaster Relieve 221, Department of Public Safety Federal 222, Federal Land and Water Conservation 223, and Railroad Commission Federal 5041. Combined, the net loss to the General Revenue-Dedicated accounts and the net gain to General Revenue Fund 0001 associated with the reallocation of interest and earnings would offset each other, resulting in no significant impact for certification purposes.

According to the Texas Parks and Wildlife Department (TPWD), federal requirements prohibit revenues from the sale of recreational hunting and fishing licenses from being diverted for purposes other than the administration of the state's fish and wildlife agency. Revenues are defined to include interest, dividends, or other income earned on license revenue. If diversion occurs, the state would become ineligible to participate under the Sportfish and Wildlife Restoration Acts. TPWD estimates that the reallocation of interest from General Revenue-Dedicated Game, Fish, and Water Safety 09 to General Revenue would constitute a diversion and would result in a loss of approximately $29.6 million in Federal Funds in each fiscal year.

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.

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.

For the purposes of this 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 $25 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 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 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.

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: 454 Department of Insurance, 455 Railroad Commission, 473 Public Utility Commission of Texas, 529 Health and Human Services Commission, 537 State Health Services, Department of, 576 Texas A&M Forest Service, 582 Commission on Environmental Quality, 608 Department of Motor Vehicles, 781 Higher Education Coordinating Board, 802 Parks and Wildlife Department, 304 Comptroller of Public Accounts, 477 Commission on State Emergency Communications, 601 Department of Transportation

LBB Staff: UP, JJ, KK, JI