

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 25, 2013

TO: Honorable David Dewhurst, Lieutenant Governor, Senate
 Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1025** by Pitts (Relating to making supplemental appropriations and reductions in appropriations and giving direction and adjustment authority regarding appropriations.),
Conference Committee Report

Estimated Two-year Net Impact to General Revenue Related Funds for HB1025, Conference Committee Report: a negative impact of (\$1,014,898,328) through the biennium ending August 31, 2015.

Appropriations:

Fiscal Year	Appropriation out of <i>General Revenue Fund</i> 1	Appropriation out of <i>Foundation School</i> <i>Fund</i> 193	Appropriation out of <i>Game, Fish, Water Safety</i> <i>Ac</i> 9	Appropriation out of <i>Clean Air Account</i> 151
2013	\$627,970,994	\$0	\$3,000,000	(\$12,500)
2014	\$10,193,445	\$101,346,715	\$0	\$0
2015	\$175,000,000	\$100,387,174	\$0	\$0

Fiscal Year	Appropriation out of <i>Water Resource</i> <i>Management</i> 153	Appropriation out of <i>Trauma Facility And</i> <i>Enrs</i> 5111	Appropriation out of <i>Oil & Gas Regulation</i> 5155	Appropriation out of <i>Federal Funds</i> 555
2013	\$500,000	\$137,860,100	\$16,711,989	\$10,351,951
2014	\$0	\$0	\$0	\$0
2015	\$0	\$0	\$0	\$0

Fiscal Year	Appropriation out of Economic Stabilization Fund 599	Appropriation out of Appropriated Receipts 666	Appropriation out of Bond Proceeds-Rev Bonds 781
2013	\$1,936,225,854	\$0	\$0
2014	\$2,000,000,000	(\$8,586,715)	\$325,586,000
2015	\$0	(\$8,227,174)	\$0

General Revenue-Related Funds, Six-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2013	(\$627,970,994)
2014	(\$111,540,160)
2015	(\$275,387,174)
2016	\$0
2017	\$0
2018	\$0

All Funds, Six-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from Game, Fish, Water Safety Ac 9	Probable Savings/(Cost) from Clean Air Account 151
2013	(\$627,970,994)	\$0	(\$3,000,000)	\$12,500
2014	(\$10,193,445)	(\$101,346,715)	\$0	\$0
2015	(\$175,000,000)	(\$100,387,174)	\$0	\$0
2016	\$0	\$0	\$0	\$0
2017	\$0	\$0	\$0	\$0
2018	\$0	\$0	\$0	\$0

Fiscal Year	Probable Savings/(Cost) from Water Resource Management 153	Probable Savings/(Cost) from Trauma Facility And Ems 5111	Probable Savings/(Cost) from Oil & Gas Regulation 5155	Probable Savings/(Cost) from Federal Funds 555
2013	(\$500,000)	(\$137,860,100)	(\$16,711,989)	(\$10,351,951)
2014	\$0	\$0	\$0	\$0
2015	\$0	\$0	\$0	\$0
2016	\$0	\$0	\$0	\$0
2017	\$0	\$0	\$0	\$0
2018	\$0	\$0	\$0	\$0

Fiscal Year	Probable Revenue Gain/(Loss) from Federal Funds 555	Probable Savings/(Cost) from Economic Stabilization Fund 599	Probable Revenue Gain/(Loss) from Economic Stabilization Fund 599	Probable Revenue Gain/(Loss) from Appropriated Receipts 666
2013	\$10,351,951	(\$1,936,225,854)	(\$1,347,000)	\$0
2014	\$0	(\$2,000,000,000)	(\$31,616,000)	(\$8,586,715)
2015	\$0	\$0	(\$59,949,000)	(\$8,227,174)
2016	\$0	\$0	(\$81,326,000)	\$0
2017	\$0	\$0	(\$103,947,000)	\$0
2018	\$0	\$0	(\$128,185,000)	\$0

Fiscal Year	Probable Savings/(Cost) from Bond Proceeds-Rev Bonds 781	Change in Number of State Employees from FY 2012
2013	\$0	29.0
2014	(\$325,586,000)	13.0
2015	\$0	13.0
2016	\$0	0.0
2017	\$0	0.0
2018	\$0	0.0

Fiscal Analysis

The bill would make supplemental appropriation increases and reductions for various state agencies.

Beginning in fiscal year 2013 the bill would make the following net appropriation increases out of General Revenue funds in the sum of \$627.97 million, \$158.1 million out of General Revenue dedicated Accounts, \$1.9 million out of the Economic Stabilization Fund, and \$10.35 million out of Federal Funds.

The bill would make the following fiscal year 2013 appropriation reductions in the sum of \$144.5 million from General Revenue Fund 001 and \$12,500 from General Revenue-dedicated accounts.

The following appropriation reductions would be made out of General Revenue Fund 001:

\$22,601,012 from the Texas Public Finance Authority;
 \$105,000,000 from the Texas Department of Transportation;
 \$7,535,354 from the Water Development Board;
 \$2,365,481 from the Department of Family and Protective Services;
 \$2,671,850 from the Health and Human Services Commission;
 \$1,400,437 from the Higher Education Employees Group Insurance for UT Medical - Galveston;
 \$2,000,000 from the University of Texas at Austin; and
 \$890,622 from the University of Texas at Dallas.

The following appropriation reductions would be made out of General Revenue-dedicated accounts:

\$12,500 out of GR Account - 151, Clean Air, from the Texas A&M AgriLife Research.

The following appropriation increases would be made out of General Revenue Fund 001:

\$1,400,000 to the Facilities Commission for payment of increased utility costs;
\$1,546,003 to the Veterans Commission for the purpose of creating two state strike force teams to address the backlog of claims in Houston and Waco and to hire additional counselors, including 16 additional full-time equivalent employees;
\$500,000 to the Veterans Commission for the purpose of repaying a deficiency grant;
\$200,000 to the University of Houston - Clear Lake for the purpose of current operations;
\$162,500 to Texas A&M AgriLife Research for the purpose of current operations;
\$475,000 to the Judiciary Section, Comptroller's Department to cover costs of providing legal representation for an inmate in a capital murder trial;
\$7,495,137 to the Judiciary Section, Comptroller's Department for the purpose of paying salaries for district judges and prosecuting attorneys;
\$35,500 to the Library and Archives Commission for the purpose of providing a salary rate increase for the Director-Librarian;
\$30,000,000 to the Higher Education Coordinating Board for funding certain institutions proportionate share for Hazelwood exemption based on the Legacy Program;
\$517,000 to the Texas Education Agency for costs related to data center services;
\$200,000 to Adjutant General's Department for the purpose of providing mental health counseling, including hiring two additional full-time equivalent employees;
\$4,109,935 to the Health and Human Services Commission to provide services under CHIP;
\$394,675 to the Department of Family and Protective Services for the purpose of providing adoption subsidies;
\$9,250,000 to the Higher Education Coordinating Board for expansion of first year residency positions;
\$7,750,000 to the Higher Education Coordinating Board for family practice residency program;
\$10,000,000 to the Texas Education Agency for funding the Student Success Initiative;
\$34,400,000 to the Higher Education Coordinating Board for the Texas Research Incentive Program;
\$20,000,000 to the Texas Facilities Commission for the purpose of funding health and safety repairs;
\$23,000,000 to the Department of Aging and Disability Services for repairs at State Supported Living Centers;
\$20,000,000 to the Department of State Health Services for repairs at state hospitals;
\$5,000,000 to the Department of Criminal Justice for repairs and renovation;
\$5,000,000 to the Parks and Wildlife Department for repairs at state parks;
\$1,000,000 to the University of North Texas at Dallas for the new university innovation;
\$1,000,000 to the Texas Department of Housing and Community Affairs for start-up funds for a settlement house;
\$150,000 to Prairie View A&M University for community development projects;
\$350,000 to Prairie View A&M for the Office of International Affairs;
\$150,000 to the University of Houston Downtown for community development projects;
\$100,000 to the University of Houston for the William P. Hobby School of Public Affairs;
\$1,500,000 to the University of Texas Austin for the Department of Mexican American Studies;
\$2,000,000 to Texas A&M International University for petroleum engineering program;
\$134,750,000, to the Department of Public Safety for changing method of finance for certain funds;
\$450,000,000 to the Texas Department of Transportation, for several contingencies based on passage of certain legislation, including \$225 million that would be transferred to State Highway Fund 6 for certain projects within the state highway system, and \$225 million that would be transferred to the Transportation Infrastructure Fund for county transportation projects. However, if certain legislation does not pass, the \$450 million is transferred to State Highway Fund 6. If related contingency legislation does not pass, the \$450 million would be appropriated to the Health and Human Services Commission for Strategy B.1.5, Children.

The following appropriation increases of \$158.1 million would be made out of General Revenue-dedicated accounts:

\$500,000 from GR Dedicated Account - 153, Water Resource Management, to the Commission on Environmental Quality for the purpose of paying for Elephant Butte litigation expenses.

\$16,711,989 from GR Dedicated Account - 5155, Oil and Gas Regulation and Cleanup, to the Railroad Commission for the purpose of information technology modernization, including 11 additional full-time equivalent employees; and

\$137,860,100 from GR Dedicated Account - 5111, Trauma Facility and EMS Account, to the Department of State Health Services for the purpose of entering into an interagency contract to transfer money from that department to the Health and Human Services Commission to provide for the non-federal share for the Medicaid disproportionate share hospital program.

\$3,000,000 from GR Dedicated Account - 9, Game, Fish, and Water Safety to the Parks and Wildlife Department for the purpose of the Cedar Bayou Restoration Project in Aransas County. This appropriation is contingent upon receiving funds from units of local government estimated to be \$3.5 million.

The following appropriation increases would be made out of the Economic Stabilization Fund totaling \$1.9 billion:

\$1,678,703 to the Texas A&M Engineering Extension Service for the purpose of reimbursing the agency for state-directed deployments for natural disasters;

\$889,000 to the Parks and Wildlife Department for the purpose of providing for state park operations;

\$161,065,711 to Texas A&M Forest Service for costs associated with wildfires;

\$2,700,000 to Department of Public Safety for costs associated with wildfires;

\$4,892,440 to Parks and Wildlife Department for costs associated with wildfires;

\$15,000,000 to Trusteed Programs within the Office of the Governor;

\$1,750,000,000 to the Texas Education Agency for payment of the installment of FSP entitlement.

The bill would repeal Section 5 of HB 10, Acts of the 83rd Legislature. The \$1,750,000,000 appropriation is contingent upon enactment of legislation to amend the established schedule of payments to school districts through the FSP.

The bill would appropriate \$10,351,951 out of Federal Funds to the Health and Human Services Commission to provide services under CHIP.

Beginning in 2014-15, the bill would make the following net appropriation increases totaling \$386.9 million in General Revenue funds, \$308.8 million in Other Funds and \$2 billion out of the Economic Stabilization Fund.

\$5,193,445 to the Texas Facilities Commission for lease payments (debt service) to the Texas Public Finance Authority out of General Revenue Fund 001;

\$5,000,000 to the Comptroller of Public Accounts for transfer to the Habitat Protection Fund out of the General Revenue Fund 001;

\$175,000,000 to the Higher Education Coordinating Board for distribution to university systems for debt service on tuition revenue bonds out of General Revenue Fund 001 contingent on enactment of legislation relating to tuition revenue bonds for institutions of higher education.

\$101,346,715 in FY 2014 and \$100,387,174 in FY15 from the Foundation School Fund - 193 to the Texas Education Agency for the purpose of funding the Foundation School Program. The bill

would reduce appropriations made in SB1, 83rd Legislature to the Texas Education Agency out of Appropriated Receipts (Other Funds) by \$8,586,715 in FY 2014 and \$8,227,174 in FY 2015.

\$325,586,000 out of bond proceeds (Other Funds) to the Texas Facilities Commission for constructing two office buildings and one parking structure.

Contingent upon enactment of legislation proposing constitutional amendments providing for the appropriation of money from the economic stabilization fund to assist in financing water infrastructure, the bill would appropriate \$2,000,000,000 from the Economic Stabilization Fund to TWDB to finance projects in the state water plan.

The bill would take effect immediately upon enactment. Sections 13, 18, 20, 21, 22, 25, 32 and 33 of the bill require a vote of two-thirds of the members present in each house of the Legislature, as provided by Section 49-g(m), Article III, Texas Constitution.

Methodology

The amounts identified above represent changes to previously budgeted amounts for the state fiscal biennium ending August 31, 2013 as well as appropriation amounts for the 2014-15 biennium. This analysis assumes immediate effect. The bill would decrease the amount of money in Fund 0599, the Economic Stabilization Fund, as well as a loss of interest income that would otherwise have been earned on the balance. Potential interest income loss is shown in the table.

Local Government Impact

The bill provides for an increase in General Revenue Funds (Foundation School Fund No. 193) for the Foundation School Program (FSP) of \$101.3 million in fiscal year 2014 and \$100.4 million in fiscal year 2015 and a decrease in revenues associated with payments made by school districts required to take action to reduce property wealth under Chapter 41 of the Texas Education Code (recapture) of \$8.6 million in fiscal year 2014 and \$8.2 million in fiscal year 2015. These changes correspond to an increase in the basic allotment in the FSP formulas under which state aid to public school districts and charter schools is determined to \$4,950 in fiscal year 2014 and \$5,040 in fiscal year 2015.

Contingent upon passage of legislation to amend the statutory schedule of payments to school districts through the FSP, school districts scheduled to receive the final installment of FSP entitlement for fiscal year 2013 in September of fiscal year 2014 under current law would receive that payment of \$1.75 billion in August of fiscal year 2013 under the provisions of the bill.

The appropriation of \$137,860,100 in Trauma Facility and EMS general revenue dedicated funds to the Department of State Health Services for the purpose of entering into an interagency contract with the Health and Human Services Commission (HHSC) to provide the non-federal share of the Medicaid disproportionate share hospital (DSH) program will have a positive All Funds fiscal impact of \$337,975,239 in fiscal year 2013 to hospitals participating in the Texas DSH program. The DSH program is a joint state-federal program reimbursed by the federal government at a state's Federal Medical Assistance Percentage (FMAP). The fiscal year 2013 Texas FMAP is 59.21%, meaning that the appropriation of \$137,860,100 in non-federal funds will draw down an additional \$200,115,139 federal funds, for an All Funds impact of \$337,975,239. Although the DSH program is administered by HHSC, it is not reflected in the General Appropriations Act.

The bill would provide \$15 million to the Trusteed Programs within the Office of the Governor to

assist units of local governments affected by wildfires and disaster-related events.

Source Agencies: 304 Comptroller of Public Accounts

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