

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 28, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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; providing for the dedication and use of certain state revenue; reducing or affecting the amounts or rates of certain statutorily dedicated fees and assessments.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB7, As Passed 2nd House: a negative impact of (\$199,674,544) through the biennium ending August 31, 2017.

Provisions of the bill that reduce General Revenue-Dedicated funds would result in an additional negative impact on the 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.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$255,228
2017	(\$199,929,772)
2018	(\$249,311,772)
2019	(\$256,336,772)
2020	(\$263,901,772)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from Coastal Protection Acct 27
2016	\$126,158,228	(\$94,300,000)	(\$31,603,000)	\$30,194
2017	(\$69,966,772)	(\$98,000,000)	(\$31,963,000)	\$30,194
2018	(\$71,874,772)	(\$145,200,000)	(\$32,237,000)	\$30,194
2019	(\$73,822,772)	(\$150,000,000)	(\$32,514,000)	\$30,194
2020	(\$76,107,772)	(\$155,000,000)	(\$32,794,000)	\$30,194

Fiscal Year	Probable Revenue Gain/(Loss) from Clean Air Account 151	Probable Revenue Gain/(Loss) from Petro Sto Tank Remed Acct 655	Probable Revenue Gain/(Loss) from Artificial Reef Acct 679	Probable Revenue Gain/(Loss) from Texas Emissions Reduction Plan 5071
2016	(\$2,907,000)	(\$10,800,000)	\$47,458	(\$15,200,000)
2017	(\$2,965,000)	(\$10,800,000)	\$47,458	(\$17,270,000)
2018	(\$3,024,000)	(\$10,800,000)	\$47,458	(\$18,220,000)
2019	(\$3,085,000)	(\$10,800,000)	\$47,458	(\$18,710,000)
2020	(\$3,147,000)	(\$10,800,000)	\$47,458	(\$1,640,000)

Fiscal Year	Probable Savings/(Cost) from System Benefit Account 5100	Probable Revenue Gain/(Loss) from Trauma Facility And Ems 5111	Probable Savings/(Cost) from Emerging Technology 5124	Probable Savings/(Cost) from Educator Excellence Fund 5135
2016	(\$226,696,539)	\$112,591,000	(\$102,000,000)	(\$92,261,000)
2017	\$0	\$16,103,000	\$0	\$0
2018	\$0	\$16,103,000	\$0	\$0
2019	\$0	\$16,103,000	\$0	\$0
2020	\$0	\$16,103,000	\$0	\$0

Fiscal Year	Probable Savings/(Cost) from Regional Trauma Account 5137	Probable Revenue Gain/(Loss) from Regional Trauma Account 5137	Probable Revenue Gain/(Loss) from Physician Ed. Loan Repayment 5144	Probable Revenue Gain/(Loss) from Alamo Complex 5152
2016	(\$96,488,000)	(\$16,103,000)	(\$33,242,000)	\$10,120
2017	\$0	(\$16,103,000)	(\$32,496,000)	\$10,120
2018	\$0	(\$16,103,000)	(\$30,986,000)	\$10,120
2019	\$0	(\$16,103,000)	(\$29,892,000)	\$10,120
2020	\$0	(\$16,103,000)	(\$28,472,000)	\$10,120

Fiscal Year	Probable Revenue Gain/(Loss) from Oil & Gas Regulation 5155	Probable Savings/(Cost) from Various General Revenue-Dedicated License Plate Accounts	Probable Revenue Gain/(Loss) from New General Revenue Dedicated Tax Conversion Fund	Probable Revenue Gain/(Loss) from Various General Revenue-Dedicated License Plate Accounts
2016	\$6,716,000	(\$1,636,000)	\$94,300,000	(\$67,000)
2017	\$6,737,000	\$0	\$98,000,000	(\$67,000)
2018	\$6,751,000	\$0	\$145,200,000	(\$67,000)
2019	\$6,766,000	\$0	\$150,000,000	(\$67,000)
2020	\$6,783,000	\$0	\$155,000,000	(\$67,000)

Fiscal Year	Probable Revenue Gain/(Loss) from Texas Mobility Fund 365	Probable Revenue Gain/(Loss) from Est Oth Educ & Gen Inco 770	Probable Revenue Gain/(Loss) from License Plate Trust Fund No. 0802 802
2016	\$2,907,000	\$872,000	\$1,703,000
2017	\$2,965,000	\$890,000	\$67,000
2018	\$3,024,000	\$906,000	\$67,000
2019	\$3,085,000	\$918,000	\$67,000
2020	\$3,147,000	\$932,000	\$67,000

Fiscal Analysis

Among other provisions, the bill would implement certain recommendations in the Legislative Budget Board policy report, "Further Reduce Reliance on General Revenue-Dedicated Accounts for Certification of the State Budget" (February 2015) submitted to the Eighty-fourth Legislature, 2015.

The bill would amend the Business and Commerce Code, Section 102.054, to require that all sexually-oriented business fee collections be deposited to the General Revenue-Dedicated Sexual Assault Program Fund No. 5010. The bill would make a related change, repealing Business and Commerce Code, Section 102.055 to eliminate the dedication of sexually oriented business fees in excess of the first \$25 million collected in a fiscal biennium to the Texas Health Opportunity Pool.

The bill would also amend Government Code, Section 420.008(c), to expand the purposes for which monies in Sexual Assault Program Fund No. 5010 may be appropriated to include: enforcement of human trafficking laws by any state agency or organization; funding to the Office of the Attorney General for grants to prevent sex trafficking and provide services for victims of sex trafficking, grants for sexual assault prevention and crisis services; funding to the Bureau of Business Research at the University of Texas at Austin to conduct research on sexual assault and domestic violence; and, any other designated state agency for the purpose of preventing sexual assault or improving services for victims of sexual assault.

The bill would amend the Education Code, Section 21.703, to remove language relating to the deposit of appropriated amounts to the Educator Excellence Innovation Fund No. 5135, and direct the Comptroller of Public Accounts (CPA) to transfer the unexpended balance in the fund to the General Revenue Fund within 90 days of the start of fiscal year 2016.

The bill would remove language directing the deposit of the medical tuition set-aside to the Physician Education Loan Repayment (PELRP) Account No. 5144. The bill would repeal Section 61.539 of the Education Code, ending the 2 percent tuition set-aside for each student registered in a medical branch or school and related requirements for medical units of institutions of higher education (IHEs). The bill would amend the Tax Code, Chapter 155, to redirect the smokeless tobacco products tax allocation currently deposited to the PELRP Account No. 5144 to the General Revenue Fund, if the CPA determines that the unencumbered beginning balance in the PELRP Account is sufficient to fund appropriations and other direct and indirect costs from the account for the fulfillment of existing and expected physician loan repayment commitments during the current state fiscal biennium. The revenue redirected to the General Revenue Fund could only be appropriated for health care purposes.

The bill would amend Government Code, Chapter 403, to exempt three additional General Revenue-Dedicated Accounts, the Coastal Protection Account No. 027, the Alamo Complex Account No. 5152, and the Artificial Reef Account No. 679, from the reallocation of interest accrued in certain dedicated accounts to the General Revenue Fund.

The bill would amend Chapter 614 of the Government Code to expand the purposes for which funds in the General Revenue-Dedicated Volunteer Fire Department Assistance Fund No. 5064 may be appropriated to include the state contribution for the Texas Emergency Services Retirement System (TESRS), subject to provisions in Government Code, Section 865.015 which limit the state's maximum contribution. Another provision affecting the Volunteer Fire Department Assistance Fund No. 5064 would exclude appropriations to the Texas A&M Forest Service for grants to volunteer fire departments in a total amount not to exceed \$11.5 million and appropriations for state contributions to TESRS when setting the rate of the assessment on certain

insurers for fiscal years 2016 and 2017. Finally, the bill would amend Chapter 2007 of the Insurance Code to exclude TESRS contributions when setting the rate of the assessment on an ongoing basis.

The bill would amend the Health and Safety Code, Section 361.014, to permit the Texas Commission on Environmental Quality (TCEQ) to provide funds from revenue collected from solid waste disposal and transportation fees deposited to the General Revenue-Dedicated Solid Waste Disposal Account No. 5000 for grants to encourage entities located in areas designated as in nonattainment of the federal clean air standard or an affected county designated in Health and Safety Code, Section 386.001, to convert heavy-duty vehicles used for solid waste collection into vehicles powered by natural gas engines.

The bill would amend the Tax Code, Section 151.0515, to reduce the assessment of the diesel surcharge on the sale, lease, or rental of certain off-road equipment from 2 to 1.5 percent. The diesel surcharge is deposited in the General Revenue-Dedicated Texas Emissions Reduction Plan Account No. 5071.

The bill would require TCEQ to exclude amounts appropriated by the Legislature from the General Revenue-Dedicated Petroleum Storage Tank Remediation Account No. 655 for monitoring or remediation of releases occurring on or before December 22, 1998, when setting the petroleum product delivery fee. Currently, TCEQ sets fee rates at levels sufficient to cover amounts appropriated from the account for petroleum storage tank administration, regulation, enforcement, and monitoring and cleanup of leaking petroleum storage tanks. When setting fees, the Commission does not consider the existing balance in the account. This provision would cause the unexpended balance in the account to be used to fund monitoring and cleanup of the remaining sites with releases reported to the TCEQ on or before December 1998.

The bill would amend the Health and Safety Code, Section 361.133, to authorize the use of certain dedicated revenue in the General Revenue-Dedicated Hazardous and Solid Waste Remediation Account No. 550 for the environmental remediation of a closed battery recycling facility located in a municipality with a population of greater than 120,000. This provision would expire September 30, 2016.

The bill would amend the Health and Safety Code, Section 382.0622(a) to clarify that \$2 of the amount remitted to the state for two-year inspection certificate fees for new passenger cars and light trucks is deposited to the General Revenue-Dedicated Clean Air Account No. 151.

The bill would repeal Chapter 782 of the Health and Safety Code to abolish the General Revenue-Dedicated Regional Trauma Account No. 5137 and direct the CPA to transfer the unexpended balance in the account to the General Revenue-Dedicated Designated Trauma Facility and EMS Account No. 5111 within 90 days of the start of Fiscal Year 2016. The bill would also amend the Transportation Code, Sections 542.406(c) and 707.008(a) to direct revenue from violations of photographic traffic control signal enforcement systems (red light cameras) currently deposited to the Regional Trauma Account No. 5137 to the Designated Trauma Facility and EMS Account No. 5111.

The bill would amend provisions in the Natural Resources Code, Chapter 81, to change the percentage of the fee for an exemption to certain rules deposited to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 from two-thirds to 100 percent of the proceeds, in effect redirecting one-third of fees currently deposited to the General Revenue Fund to the Oil and Gas Regulation and Cleanup Account No. 5155. The bill would also redirect pipeline safety inspection fee revenue, oil and gas disposal well permit fee revenue, and oil

regulation tax receipts from the General Revenue Fund to the Oil and Gas Regulation and Cleanup Account No. 5155.

The bill would eliminate certain occupational license fees and taxes by repealing provisions in the Occupations Code, the Tax Code, and Article 581-41, Vernon's Texas Civil Statutes. The bill would repeal Sections 153.053, 201.153(b) and (c), 254.004(b), 351.153, 501.153, 801.154(b), (c) and (d), 901.406, 901.407, 901.410, 1001.206, 1051.652, 1052.0541, 1053.0521, 1071.1521, 1101.153, 1105.003(e), and 1152.053 of the Occupations Code; Subchapter H of Chapter 191 of the Tax Code; and Section 41 of Article 581-41, Vernon's Texas Civil Statutes. All the sections to be repealed (except Occupations Code, Section 153.053) involve a \$200 fee collected from a variety of professionals, including: chiropractors; dentists; optometrists; psychologists; veterinarians; accountants; engineers; architects; landscape architects; interior designers; land surveyors; real estate brokers; property tax consultants; attorneys; and securities brokers. From this fee \$50 is deposited to the Foundation School Fund No. 193 and the remaining \$150 to the General Revenue Fund. From the fee for real estate brokers, \$100 is deposited to General Revenue Fund, \$50 to the Foundation School Fund, and \$50 to the Texas A&M Real Estate Center.

Occupations Code, Section 153.053 applies to physicians and includes three additional fees: a \$200 license fee; a \$200 fee for license reinstatement after cancellation; and a \$400 fee for registration permits. Each fee is allocated as follows: 75 percent to the General Revenue Fund and 25 percent to the Foundation School Fund. The bill would amend Section 1101.154(a) of the Occupations Code to raise the additional broker license fee from \$20 to \$70. The Real Estate Commission would remit the additional fee collections to the Texas A&M Real Estate Center.

The bill would amend the Occupations Code, Subsection 153.0535(b) to expand the allowable uses of the General Revenue-Dedicated Public Assurance Account No. 5105 to include appropriations for the Texas Medical Board's licensing program.

The bill would amend the Occupations Code, Section 1701.156, to expand the allowable uses of the General Revenue-Dedicated Texas Commission on Law Enforcement Account No. 116 to include appropriations to the Department of Public Safety (DPS) for grants to local law enforcement agencies for training on incident-based reporting systems. The bill would also require DPS to adopt rules for the award of grants by January 1, 2016. Another provision in the bill would remove any appropriations to DPS for incident-based reporting training grants from the allocation of account funds for continuing education provided by Section 1701.157(a) of the Occupations Code.

The bill would amend the Transportation Code, Section 504.6012, to require the CPA to set-aside the unexpended balances in any remaining General Revenue-Dedicated specialty license plate accounts be appropriated only for their dedicated purposes; and to provide that the receipts of the related license plate fees be deposited into an account within the License Plate Trust Fund No. 802.

The bill would amend provisions in the Transportation Code, Sections 708.103 and 708.104, related to the Driver Responsibility Program to reduce annual surcharge amounts for driving with no insurance and driving with no license by 50 percent for offenders that come into compliance with applicable laws under certain conditions. The annual surcharge for a person convicted of operating a vehicle without liability insurance that obtains a liability insurance policy meeting state requirements and prepays the policy for a period of at least 6 months would be reduced from \$250 to \$125. The annual surcharge for a person convicted of driving without a valid drivers' license would be reduced from \$100 to \$50 should the person obtain a drivers license no later

than 60 days after the date of the offense.

The bill would amend the Utilities Code, Section 39.9039(b), to eliminate the 15 percent cap on discount rates available to eligible, low-income electric customers in fiscal year 2016 and allow the PUC to set discount rates sufficient to deplete the balance in the System Benefit Fund. The bill would also eliminate existing restrictions on the months (currently September, 2015 and May through August, 2016) reduced rates would be available to eligible, low-income customers in fiscal year 2016.

The bill would abolish the Emerging Technology Fund (ETF) and transfer management of the portfolio to the Texas Treasury Safekeeping Trust Company (TTSTC), which would be required to wind up the ETF investment portfolio. The bill would allow the unencumbered balances of the ETF to be appropriated only to: the Texas Research Incentive Program (TRIP); the Texas Research University Fund; the Governor's University Research Initiative Fund; the Texas Enterprise Fund; and to the CPA for expenses incurred in managing the investment portfolio in connection with awards from the former ETF. Although the ETF would be abolished, agreements in place before that date would not be affected.

The bill would create the Governor's University Research Initiative Fund, which would be used to award matching grants to eligible institutions by the Texas Economic Development and Tourism Office within the Office of the Governor. The bill would define the program, funding source and uses of the Fund.

The bill would amend Chapter 140 of the Local Government Code to create a new account in the State Treasury for the purpose of reimbursing qualifying local governments that have loss in excess of two percent of property tax revenue for homestead property tax exemptions for totally disabled veterans or their surviving spouses and requires the CPA to transfer funds to the account for that purpose.

The bill would create a new dedicated account within the General Revenue Fund, the Tax Rate Conversion Fund, to provide additional state aid to school districts that have compressed tax rates below \$1.00 that are assessing rates eligible for tax rate conversion.

The bill would take effect September 1, 2015.

The bill 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.

Methodology

This bill has various fiscal effects, some of which can be estimated at this time and others which cannot because information necessary to analyze the impact is not available at this time. Estimates of the fiscal impact of the bill are based on analysis of available information by Legislative Budget Board staff and on information provided by agencies, as indicated below. In some cases, the fiscal impact of provisions of the bill may change based on future actions taken by the Legislature, including decisions impacting appropriations and revenue collections.

The bill would expand the purposes for which funds in the Sexual Assault Program Fund No. 5010 may be appropriated. This fiscal note does not include any assumptions regarding the cost of appropriating funds for the existing and new allowable uses authorized by the bill. Based on the

Biennial Revenue Estimate, sexually-oriented business fee collections to the Sexual Assault Program Fund No. 5010 will not exceed \$25 million in the 2016-17 biennium. No revenue gain to Fund No. 5010 would result from repealing the dedication of sexually-oriented business fees in excess of the first \$25 million collected each fiscal biennium to the Texas Health Opportunity Pool.

According to the CPA, the unexpended balance in the Educator Excellence Innovation Fund No. 5135 as of August 31, 2015 is projected to be \$92.3 million. For purposes of this fiscal note, this analysis assumes that this amount will be transferred to the General Revenue Fund within the first three months of fiscal year 2016.

Based on information provided by CPA, the 2 percent tuition set-aside for medical schools and branches is divided equally between the General Revenue Fund and the PELRP Account No. 5144. Accordingly, the revenue loss to both the General Revenue Fund and the PELRP Account No. 5144 due to the repeal of the set-aside is estimated to be \$881,000 for the 2016-17 biennium. There is a corresponding gain of an estimated \$1.8 million to medical schools, shown in the table above as Other Educational and General Funds (Fund 770).

According to the Comptroller's 2016-17 Biennial Revenue Estimate, the ending balance in the PELRP Account as of August 31, 2015 is projected to be \$116.4 million. This estimate assumes the balance in the PERLP Account would be sufficient to fund 2016-17 appropriations and an estimated \$64.9 million in smokeless tobacco tax receipts which would otherwise be deposited to the PERLP Account would instead be redirected to the General Revenue Fund in the 2016-17 biennium. This fiscal note makes no assumption regarding the appropriation of redirected smokeless tobacco tax receipts for healthcare purposes.

The fiscal impact of allowing the General Revenue-Dedicated Coastal Protection, Artificial Reef and Alamo Complex accounts to retain accrued interest is insignificant, resulting in an estimated loss to the General Revenue Fund of \$87,772 each fiscal year and annual gains of \$30,194, \$47,458, and \$10,120 to the Coastal Protection, Artificial Reef and Alamo Complex accounts, respectively.

Because the fiscal impact of the bill's provisions relating to the Volunteer Fire Department Assistance Fund No. 5064 depends on appropriation decisions, it is not included in this estimate. The bill provides that amounts appropriated to the Texas A&M Forest Service for grants to volunteer fire departments not-to-exceed \$11,500,000 each fiscal year and any amounts appropriated for state contributions to TESR in the 2016-17 biennium would be funded out of the unexpended balance in Volunteer Fire Department Assistance Fund No. 5064, rather than the annual assessment on certain insurers. According to the Biennial Revenue Estimate for the 2016-17 biennium, the unexpended balance in Fund No. 5064 as of August 31, 2015 is projected to be \$84.2 million.

The fiscal impact of expanding the allowable use of solid waste and transportation fees for grants to encourage entities located in clean air nonattainment and near nonattainment areas to convert heavy-duty waste collection vehicles into natural gas vehicles depends on appropriation decisions and the demand for such incentives. This fiscal note does not include any assumptions regarding the cost of appropriating funds to TCEQ for this purpose.

The CPA estimates that reducing the 2 percent surcharge on the sale, lease or rental of diesel engine-powered off-road equipment to 1.5 percent would result in a revenue loss to the General Revenue-Dedicated Texas Emissions Reduction Plan Account (TERP) No. 5071 of \$32.5 million for the 2016-17 biennium. Based on current law, TERP and related fees and taxes expire on

August 31, 2019, which is reflected in the decline in the estimated revenue loss in fiscal year 2020.

According to the Comptroller, the anticipated reduction in fees due to the use of the unexpended balance to fund remediation of sites with releases reported prior to December 1998 will result in a revenue loss to the General Revenue Fund of \$440,000 in the 2016-17 biennium and to the Petroleum Storage Tank Remediation Account No. 655 of \$21.6 million in the 2016-17 biennium. Based on actual expenditures in fiscal year 2014, TCEQ indicates that \$10.8 million per fiscal year is spent for sites with releases reported prior to December 1998 from the Petroleum Storage Tank Remediation Account No. 655. This estimate assumes that costs continue at this level for the 2016-17 and future biennia. Current law provides that the Comptroller receive a 2 percent service charge from petroleum storage tank delivery fees. This amount is deposited to the General Revenue Fund.

TCEQ is authorized to spend funds out of the General Revenue-Dedicated Hazardous and Solid Waste Remediation Account No. 550 for the remediation of a closed battery recycling facility. The bill would extend this authority through September 30, 2016. Since funds are allocated in the 2014-15 biennium for the remediation of a battery recycling facility, it is assumed that this provision would have no significant fiscal impact.

According to the Comptroller, provisions in the bill pertaining to the allocation of fees from the initial inspection of new passenger cars and light trucks would result in a \$5.9 million loss to the Clean Air Account and a gain to the Texas Mobility Fund in the same amount for the 2016-17 biennium.

Based on figures provided in the 2016-17 Biennial Revenue Estimate, redirecting revenue from red light camera violations and penalties from the abolished Regional Trauma Account No. 5137 to the Designated Trauma Facility and EMS Account No. 5111 would result in a biennial revenue loss of \$32.2 million to the Regional Trauma Account No. 5137 and a revenue gain of the same amount to the Designated Trauma Facility and EMS Account No. 5111. For purposes of this analysis, it is assumed that the fiscal year 2015 ending balance in the Regional Trauma Account No. 5137, which according to the 2016-17 Biennial Revenue Estimate is \$96.5 million, will be transferred to the Designated Trauma Facility and EMS Account No. 5111 within the first three months of fiscal year 2016.

Provisions in the bill which would redirect certain oil and gas tax and fee revenue from the General Revenue Fund to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 would result in a loss to the General Revenue Fund and a corresponding gain to the Oil and Gas Regulation and Cleanup Account of \$13.5 million for the 2016-17 biennium. According to the Biennial Revenue Estimate for the 2016-17 biennium, the most significant of the affected revenue sources is the pipeline safety fee which is projected to generate \$8.4 million during the 2016-17 biennium.

The Biennial Revenue Estimate for the 2016-17 biennium was used, with projections made by the Comptroller for fiscal year 2017 and beyond, for determining the impact of the bill's provisions abolishing the additional \$200 fee on various professionals. The estimated revenue loss for the 2016-17 biennium is \$251.5 million. Of that amount, approximately \$188.0 million would be the loss to the General Revenue Fund and \$63.6 million the loss to the Foundation School Fund No.193. The loss to the Foundation School Fund would have no significant fiscal implications for the Foundation School Program. According to the Comptroller, the real estate broker's license fee increase would offset the revenue loss associated with the repeal of the real estate professional fee.

The fiscal impact of authorizing the use of the General Revenue-Dedicated Public Assurance Account No. 5105 for the Texas Medical Board's licensing program depends on appropriation decisions. This fiscal note does not include any assumptions regarding the cost of appropriating funds for this purpose.

The fiscal impact of authorizing the use of the Texas Commission on Law Enforcement Account No. 116 to fund training on incident-based reporting systems depends on appropriation decisions made by the House and the Senate. This fiscal note does not include any assumptions regarding the cost of appropriating funds for this purpose.

The CPA estimates the unexpended balance in General Revenue-Dedicated license plate accounts to be approximately \$1.6 million, and the annual revenue to these accounts to be \$67,000 each fiscal year. For purposes of this analysis, it is assumed that the unexpended balance in the remaining General-Dedicated license plates and the annual revenue from license plate sales would be deposited to the License Plate Trust Fund No. 802.

The fiscal impact of reducing the Driver Responsibility Program surcharge amounts for driving with no insurance and driving with no license cannot be determined because the number of people that would be eligible for a reduced surcharge is unknown. To the extent Driver Responsibility Program surcharge revenue would be reduced, there would be a loss to the General Revenue Fund and the Designated Trauma Facility and EMS Account No. 5111.

This analysis assumes that eliminating restrictions on the months in which reduced rates are available to low-income electric customers, and allowing PUC to set reduced rates sufficient to spend down the balance in the System Benefit Fund would result in the balance being depleted by the end of fiscal year 2016. The PUC estimates the remaining balance in the account to be approximately \$227.0 million.

Based on estimates provided by the Office of the Governor, the unexpended balance in the General Revenue-Dedicated Emergency Technology Fund No. 5124 available for appropriations to the Texas Research Incentive Program (TRIP), the Texas Research University Fund, the Governor's University Research Initiative Fund, the Texas Enterprise Fund, and to the CPA for expenses is estimated to be \$102.0 million. For purposes of this analysis, it is assumed that the balance would be transferred to the General Revenue Fund and available for appropriation by the Legislature for those purposes. This amount is included in the table above, but no assumption has been made regarding the appropriation of these funds.

The ETF currently is administered by 7.0 FTEs who would no longer be required by the Office of the Governor after the abolishment of the ETF. The total ongoing portfolio management costs to the Texas Treasury Safekeeping Trust Company (TTSTC) cannot be determined, as the portfolio windup timeline is unknown at this time. The Office of the Governor estimates the cost to manage the ETF portfolio would be approximately 2 percent of funds under management, or \$9.1 million per fiscal year based on the estimated portfolio size of \$455 million. Associated management costs would decrease as the portfolio is reduced. The savings associated with reducing the Office of the Governor administrative costs are not expected to be significant and therefore not included in the table above. The Office of the Governor reports that provisions of the bill regarding administration of the Governor's University Research Initiative would require 2.0 full time equivalents (FTE), the cost of which can be absorbed within existing resources.

Establishing a new account for reimbursement of local governments that have lost in excess of 2 percent of property tax revenue in property tax exemptions for totally disabled veterans or their

surviving spouses would not have a significant fiscal impact. However, reimbursements to eligible local governments would have a fiscal impact; the amount for which cannot be determined. Based on the provisions in the bill, it is assumed that this unknown amount would be transferred by the CPA from the General Revenue Fund to the new account. According to the CPA, approximately 20 cities and counties may be eligible for reimbursement; however, incomplete information is available regarding the General Fund revenues of these local governments. As a result, the amount of the transfer from the General Revenue Fund cannot be determined.

Consistent with provisions in the bill, it is assumed that any additional Foundation School Program state aid for tax rate conversion would be funded out of the new dedicated Tax Rate Conversion Fund. For purposes of this analysis, it is assumed that funds would be transferred from Foundation School Fund No. 193 to absorb the expense of the additional state aid. Based on a model using the current tax rates of affected school districts the additional state aid would be estimated to be \$94.3 million in fiscal year 2016 and \$98.0 million in fiscal year 2017, increasing to \$155.0 million by fiscal year 2020.

Technology

No fiscal impact to technology is anticipated.

Local Government Impact

The bill's proposed assistance payments to counties and cities that are disproportionately affected by property tax exemptions for disabled veterans would cause a gain to the counties and cities that receive payments and an equal cost to the state, but complete information is not available regarding the general fund revenues of eligible cities and counties; consequently the gains to affected entities cannot be estimated at this time.

School districts with compressed rates below \$1.00 that assess rates eligible to benefit from additional aid provided through the Tax Rate Conversion Fund would receive additional revenue under the bill.

Source Agencies: 312 Securities Board, 407 Commission on Law Enforcement, 455 Railroad Commission, 459 Board of Architectural Examiners, 460 Board of Professional Engineers, 473 Public Utility Commission of Texas, 477 Commission on State Emergency Communications, 503 Texas Medical Board, 514 Optometry Board, 578 Board of Veterinary Medical Examiners, 601 Department of Transportation, 720 The University of Texas System Administration, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 326 Texas Emergency Services Retirement System, 405 Department of Public Safety, 529 Health and Human Services Commission, 537 State Health Services, Department of, 576 Texas A&M Forest Service, 582 Commission on Environmental Quality, 701 Central Education Agency, 781 Higher Education Coordinating Board

LBB Staff: UP, KK, JJ, ZS, SD, GO, JSp, MMe