



LEGISLATIVE BUDGET BOARD

# **Further Reduce Reliance on General Revenue-Dedicated Account Balances for Certification of the General Appropriations Act**

**PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE**

**LEGISLATIVE BUDGET BOARD STAFF**

**FEBRUARY 2015**

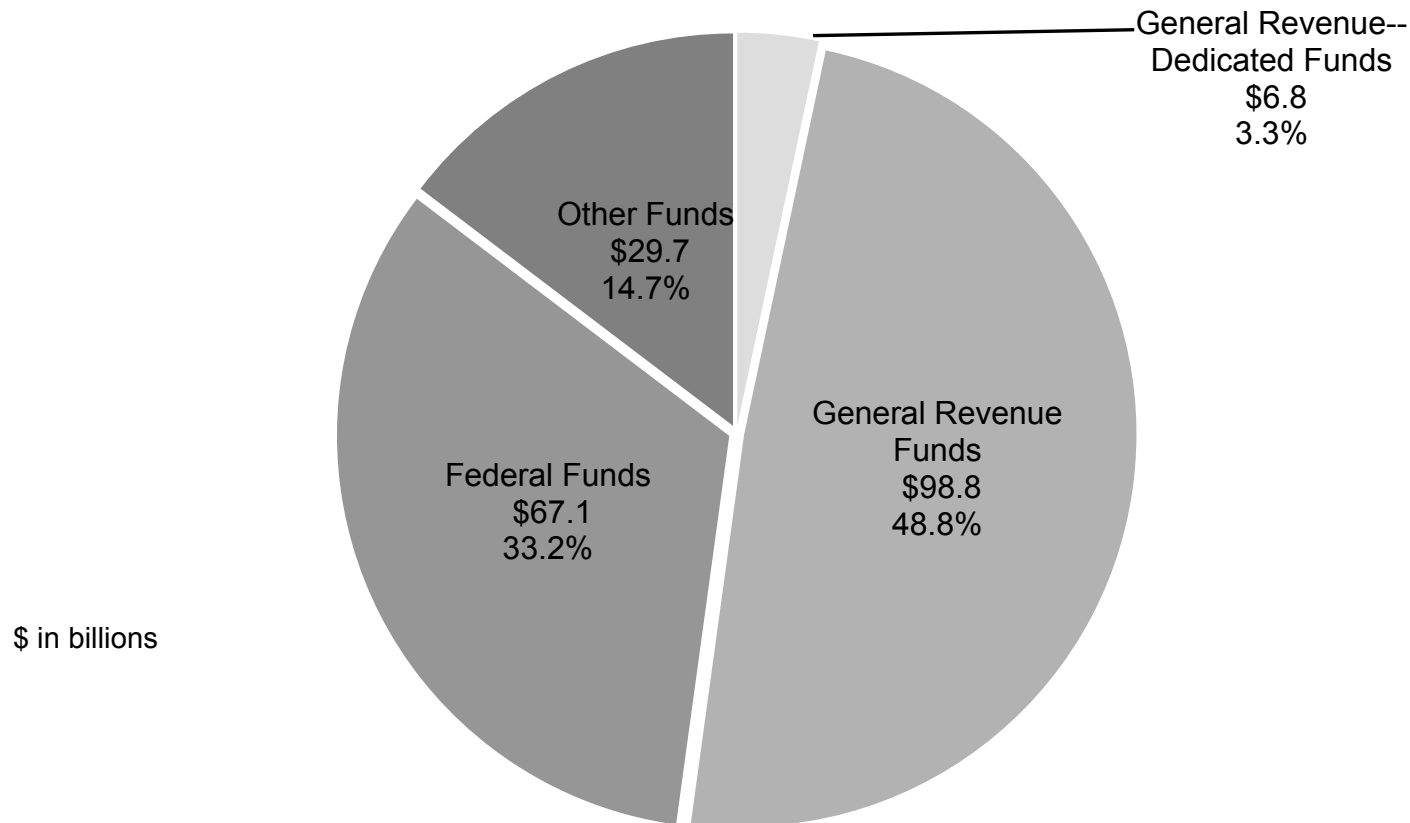
# What are General Revenue-Dedicated Accounts?

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- Accounts within the General Revenue Fund that are dedicated as a result of legislative action
- Accounts were first established within the General Revenue Fund through fund consolidation in 1991, a process intended to eliminate most statutory funds and revenue dedications which was never completed
- There are over 200 such accounts from which the Legislature may appropriate revenue only for the purpose to which the revenue is statutorily dedicated
- According to the Comptroller of Public Accounts (CPA) 2015 Biennial Revenue Estimate, an estimated \$11.5 billion in General Revenue-Dedicated revenue and balances are available for appropriation in the 2016-17 biennium

# General Revenue-Dedicated Funds in House Bill 1

House Bill 1 would appropriate \$202.4 billion in All Funds for the 2016-17 biennium, \$6.8 billion or 3.3 percent of which is General Revenue-Dedicated funds.



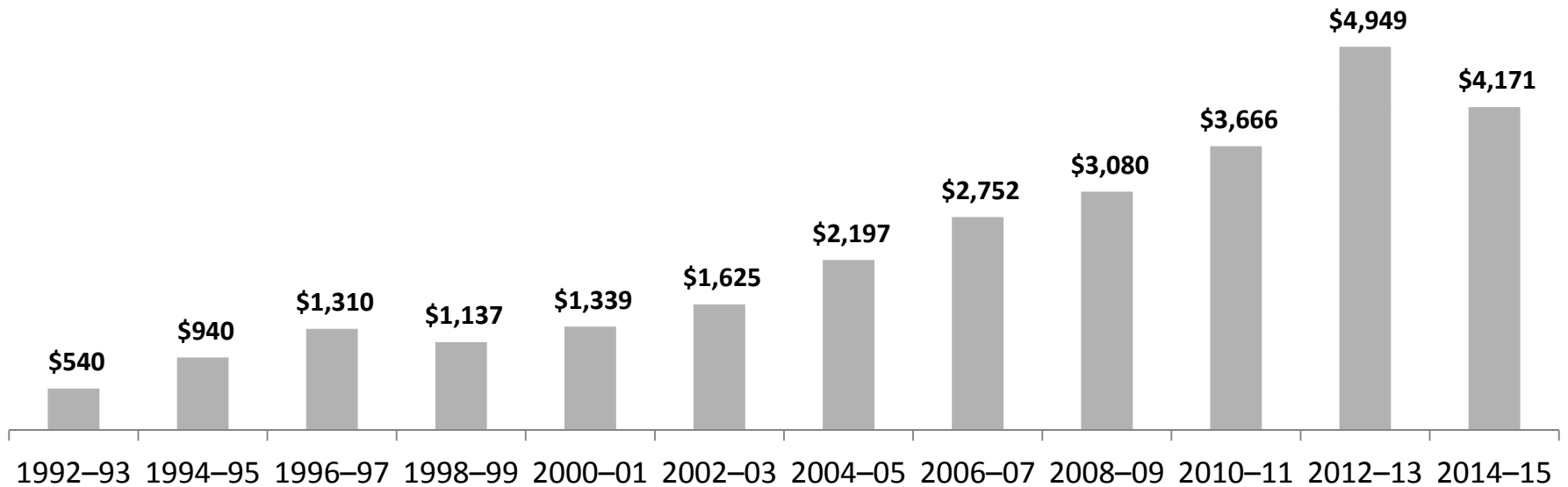
## Counting General Revenue-Dedicated Account Balances for Certification of General Revenue Appropriations

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- Texas Government Code, Sec. 403.095, makes unappropriated revenues in General Revenue-Dedicated accounts available for general government purposes and certification of General Revenue Fund appropriations pursuant to Texas Constitution, Article III, Sec. 49-a – the “Pay-As-You-Go-Limit”
- This practice allows the Legislature to appropriate smaller amounts from these dedicated accounts for their statutory purpose and use account balances to facilitate compliance with the “Pay-As-You-Go Limit” and assist in funding other budget priorities
- This practice has led to the accumulation of large balances in multiple accounts
- General Revenue-Dedicated balances counted towards certification of General Revenue appropriations increased from \$540 million for the 1992-93 biennium to \$4.9 billion for the 2012-13 biennium

# General Revenue-Dedicated Balances Counted for Certification

## General Revenue-Dedicated Balances (in millions)



Source: Comptroller of Public Accounts

## **Actions Taken by the 83<sup>rd</sup> Legislature to Reduce Reliance on General Revenue-Dedicated Balances for Certification**

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- The 83<sup>rd</sup> Legislature reduced the amount of General Revenue-Dedicated balances available to certify General Revenue appropriations from \$4.9 billion for the 2012-13 biennium to \$4.2 billion for the 2014-15 biennium
- Absent this legislative action, the amount of General Revenue-Dedicated balances available for certification of General Revenue appropriations would have increased to \$5.4 billion

# Selected Actions of the 83<sup>rd</sup> Legislature Reducing Reliance on General Revenue-Dedicated Balances for Certification

*(in millions)*

House Bill 7

System Benefit Fund – Repealed Non Bypassable Utility Fee	\$ (245.5)
System Benefit Fund – Increased Appropriation for Low-income Rate Relief*	(500.0)
Specialty License Plate Accounts – Dedicated Balances / New Revenue to Trust Fund	(6.7)
Select General Revenue-Dedicated Accounts – Deposits Interest to General Revenue	(107.6)
Solid Waste Disposal Account – Reduced Fees & Changed Allocations	(19.4)
Alternative Fuel Research and Education Account – Abolished	(9.1)
Volunteer Fire Department Assistance Account – Limited Assessment to Appropriations	(30.5)
Oil and Gas Regulation Cleanup Account – Expanded Allowable Use	(1.1)

House Bill 1025 (Supplemental Appropriations Act)

Designated Trauma Facility and EMS Account	\$ (137.9)
Oil and Gas Regulation and Cleanup Account	(17.2)

Senate Bill 1 (General Appropriations Act)

Designated Trauma Facility and EMS Account — Appropriations in Excess of Collections	\$ (188.4)
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**TOTAL** **\$ (1,263.4)**

\*The reduction of the System Benefit Fund will not be completed during the 2014-15 biennium due to lower than expected enrollment in the low-income utility rate discount program and a mild summer. Provisions in House Bill 7 sunset the System Benefit Fund and the low-income utility rate discount program on August 31, 2016.

## House Bill 7, 83<sup>rd</sup> Legislature – Reducing Reliance on General Revenue-Dedicated Account Balances for Certification

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House Bill 7, 83<sup>rd</sup> Legislature, Regular Session, 2013, established an ongoing process to reduce reliance on General Revenue-Dedicated account balances for certification by requiring the Legislative Budget Board to:

- Develop and implement a process to review enactments that create dedicated revenue, and appropriations and accumulation of dedicated revenue
- Implement tools to evaluate the use of available dedicated revenue for state government financing and budgeting
- Make recommendations on actions the Legislature may take to reduce reliance on dedicated revenue
- Incorporate in its budget recommendations measures to reduce reliance on dedicated revenue for certification and plans for further reducing reliance on dedicated revenue for the succeeding six years



## **Estimated General-Revenue Dedicated funds Available for Certification of General Revenue Appropriations in the 2016-17 biennium**

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- In the 2015 Biennial Revenue Estimate, the Comptroller of Public Accounts (CPA) estimates that the fiscal year 2015 ending balances in General Revenue-Dedicated accounts available for certification is \$4.4 billion
- Based on the CPA's Biennial Revenue Estimate of additional revenue collections in the General Revenue-Dedicated accounts for the 2016-17 biennium and appropriations in House Bill 1, the amount of General Revenue-Dedicated account balances would increase to an estimated \$4.7 billion, pending final review by CPA
- The increase from \$4.4 billion to \$4.7 billion is attributable primarily to a projected increase in the Texas Emissions Reduction Plan account balance

## Defining the Scope

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For many accounts, dedicated revenue is appropriated and spent for its dedicated purpose:

- Balances counted towards certification in such accounts are due to the timing of revenue collections and expenditures
- Significant balances in these accounts do not accumulate over the long-term

Examples of these accounts:

- Higher Education Current Accounts – counting for certification does not impact higher education institutions' access to the accounts; balance in account is due to timing of tuition collections and expenditures
- Self-leveling accounts – accounts in which revenue collections are directly linked to appropriation levels, e.g., the Department of Insurance Operating Account No. 36
- Accounts requiring balances for cash flow purposes
- Accounts that fund long-term obligations and infrastructure needs – e.g., balances in the Petroleum Storage Tank Remediation Account No. 655 may be needed to fund cleanups at 366 petroleum-contaminated sites reported to the state on or before December 1998
- Accounts to which federal restrictions apply

## Defining the Scope (continued)

<b>Estimated General Revenue-Dedicated Accounts Counted for Certification, House Bill 1, 2016-17 Biennium</b>	\$4.7 billion
Examples of Accounts Minimally Affected or Required for Cash Flow, 2014-15 Biennium	\$1.3 billion
Higher Education Current Accounts – \$447.9 million	
Department of Insurance Operating Account – \$85.7 million	
Federal Accounts – \$160.7 million	
Estimated Cash Flow Needs – \$144.5 million	
Select Long-term Obligation Accounts – \$504.3 million	
<b>Remainder</b>	<b>\$3.4 billion</b>

## LBB Recommendations to the 84<sup>th</sup> Legislature

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1. Amend statute to require CPA to publish a report regarding the General Revenue-Dedicated accounts that are counted for certification of General Revenue Fund appropriations after the end of each regular session
  - Codify current practice – CPA already prepares this report
2. Consistent with the Legislature’s approach begun in HB 7, implement a total of \$1.5 billion account-specific measures to reduce reliance on General Revenue-Dedicated accounts that are counted for certification through three strategies:
  - Changes in Dedications – \$753.4 million
  - Appropriations – \$478.5 million
  - Changes to revenue sources – \$307.9 million



## LEGISLATIVE BUDGET BOARD

### **Contact the LBB**

Legislative Budget Board

[www.lbb.state.tx.us](http://www.lbb.state.tx.us)

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