



LEGISLATIVE BUDGET BOARD

ACTIONS TAKEN BY THE LEGISLATURE TO REDUCE RELIANCE ON GENERAL REVENUE-DEDICATED BALANCES

PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE

Legislative Budget Board Staff

MAY 18, 2016



What is General Revenue-Dedicated?

- General Revenue-Dedicated (GR-D) is a subset of the General Revenue Fund.
- GR-D is a method of finance type that includes accounts within the General Revenue Fund the appropriation of which are “dedicated” for a particular use as a result of legislative action.
- There are over 200 such accounts, and the Legislature may appropriate revenue from these accounts only for the purpose to which the revenue is statutorily dedicated.
- Texas Government Code, Sec. 403.095, makes unappropriated revenue and balances in 129 of those 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 provision is enacted each session as part of the funds consolidation bill.

Legislative Action to Reduce Reliance on GR-D Balances for Certification

House Bill 7, 83rd 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:

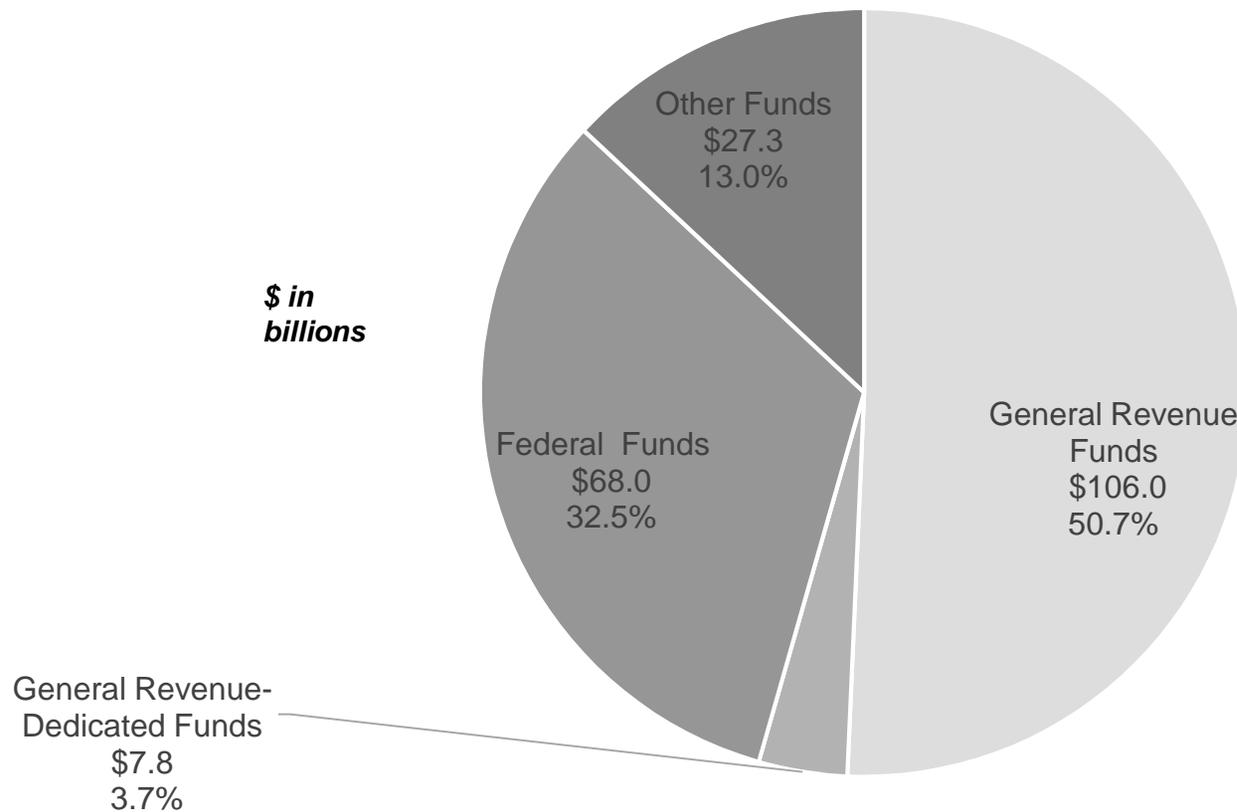
- Develop and implement a process to review enactments that create dedicated revenue, and appropriations and accumulation of dedicated revenue
- Implement tools to evaluate the use of available dedicated revenue for state government financing and budgeting
- Make recommendations on actions the Legislature 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

How Much GR-D is Available?

- In January 2015, there was an estimated \$11.5 billion in GR-D available for appropriation.
- This was comprised of \$4.9 billion in account balances and \$6.5 billion in estimated revenue collections.
- The 84th Legislature appropriated \$7.8 billion of that amount.
- The remainder is in dedicated accounts within the General Revenue Fund.

General Revenue-Dedicated Funds in Context

All Funds budget for the current (2016-17) biennium
is \$209.1 billion



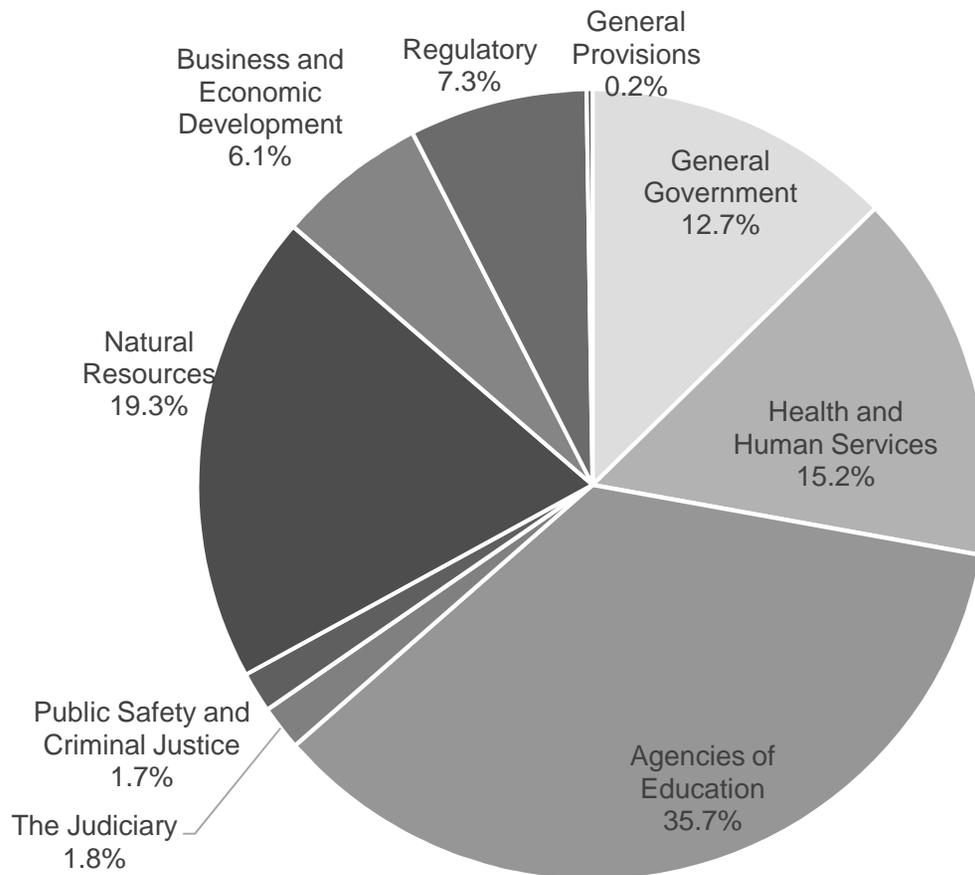
SOURCE: Legislative Budget Board.

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GR-D Among the Articles



GR-D is appropriated in nearly all articles of the General Appropriations Act. Approximately 70 percent of all GR-D is appropriated in Articles II, Health and Human Services, III, Education, and VI, Natural Resources.

SOURCE: Legislative Budget Board.

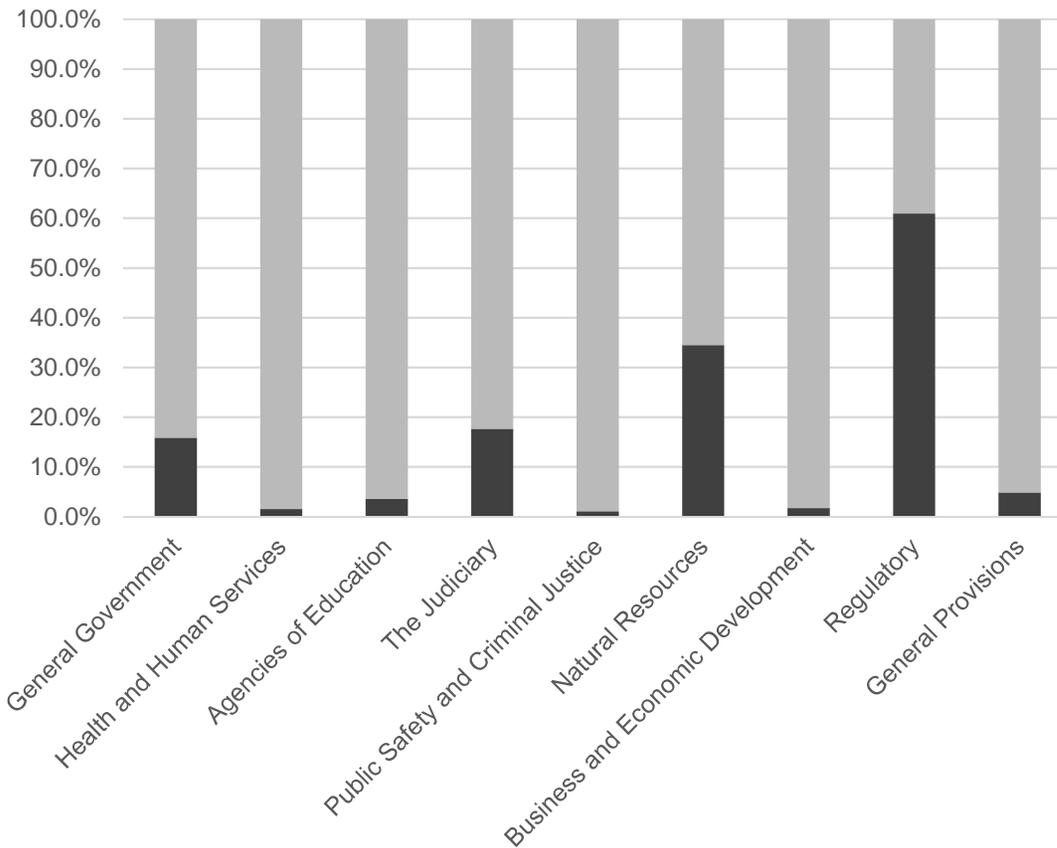
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GR-D Among the Articles

General Revenue-Dedicated as a portion of each article



While total dollar appropriations to Articles II, III, and VI, are significant, GR-D represents a smaller percentage of their overall appropriations.

In Contrast, although Article VIII, Regulatory, makes up the fifth-smallest percentage of all GR-D appropriations, that method of finance represents 61 percent of all appropriations to the article.

SOURCE: Legislative Budget Board.

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Selected Actions of the 84th Legislature Reducing Reliance on GR-D Balances for Certification

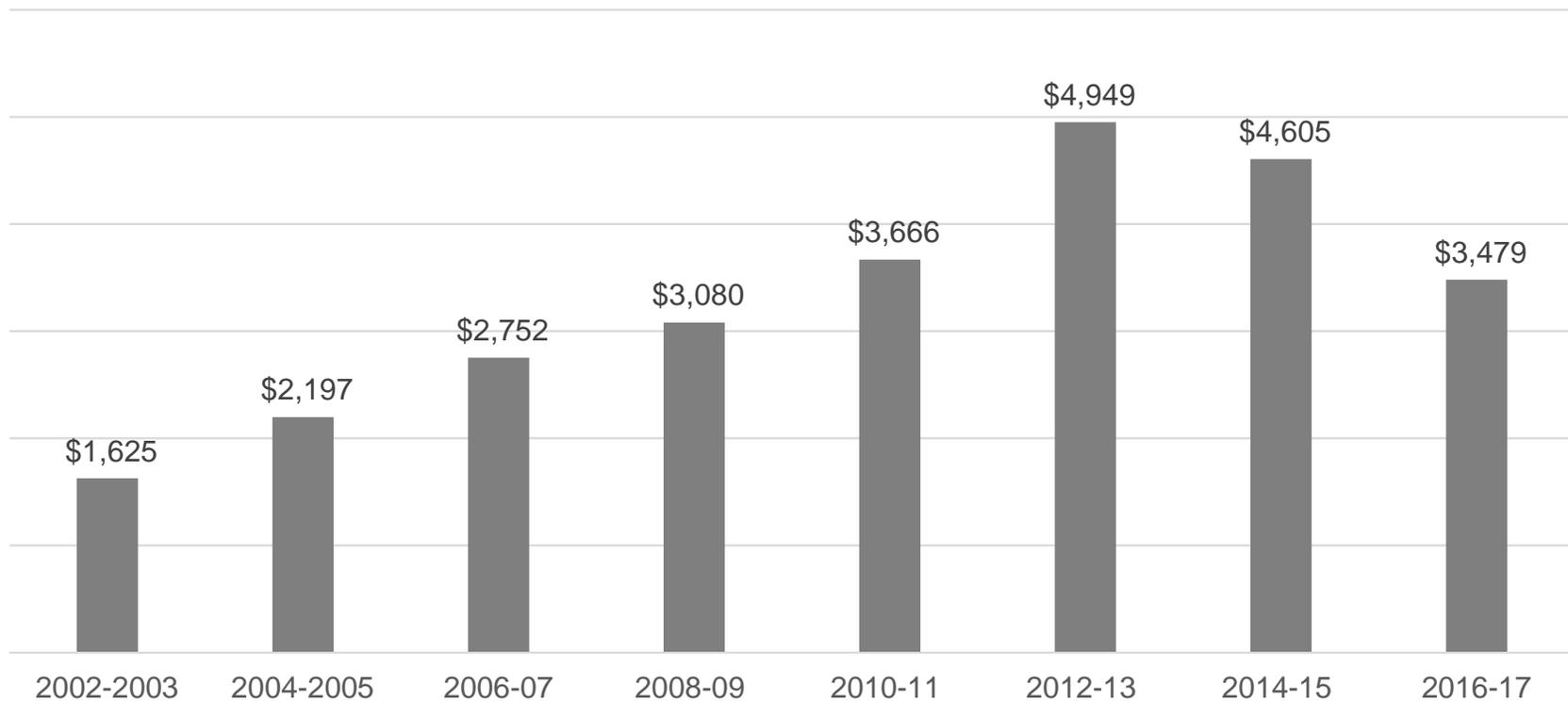
	(in millions)
<u>House Bill 7</u>	
Petroleum Storage Tank Remediation Account - reduce petroleum product delivery fee	\$ (21.6)
Texas Emissions Reduction Plan Account - reduce 2% diesel surcharge to 1.5%	\$ (32.5)
Physician Education Loan Repayment Account - repeal medical school tuition set-aside	\$ (0.9)
Physician Education Loan Repayment Account - redirect smokeless tobacco products tax to General Revenue if account balance is sufficient to fund appropriations	\$ (64.9)
Clean Air Account - \$2 of inspection fee for new vehicles is allocated to the Texas Mobility Fund	\$ (5.9)
Specialty License Plate Accounts - Dedicated Balances / New Revenue to License Plate Trust Fund	\$ (1.8)
Educator Excellence Innovation Fund - abolish acct and transfer balance to General Revenue	\$ (21.6)
Consolidate trauma accts - abolish Regional Trauma Account and transfer balance/ revenue to Designated Trauma Facility and EMS Account (est'd balance & revenue: \$128.7 million)	\$ -
<u>House Bill 1 (General Appropriations Act) / Appropriations Contingent on Provisions in House Bill 7</u>	
System Benefit Fund - increased appropriation for low-income rate relief to deplete fund balance and sunset the fund and the low-income rate relief program by August 2016	\$ (227.0)
Hazardous and Solid Waste Remediation Account - for remediation of a closed battery recycling facility	\$ (1.7)
Texas Commission on Law Enforcement Account- for grants administered by the Texas Department of Public Safety for training on incident-based crime reporting	\$ (1.0)
Sexual Assault Program Account Fund - for human trafficking enforcement programs and child sex trafficking prevention unit	\$ (11.9)
Volunteer Fire Department Assistance Fund - portion of balance for (a) state contribution to the Texas Emergency Services Retirement System (TESR); and (b) grants to volunteer fire departments	\$ (26.2)
Designated Trauma Facility and EMS Account (includes amounts transferred from abolished Regional Trauma Acct 5137) - for uncompensated trauma care and eligible Medicaid expenses	\$ (195.8)
<u>House Bill 6 (Funds Consolidation Bill)</u>	
Higher Education GR-D Tuition Accounts (50 accounts) and 9 other accounts - exempted from counting towards certification of General Revenue appropriations for the 2016-17 biennium	\$ (579.6)

84th Legislature: Estimated Aggregate Impact of Actions to Reduce Reliance on GR-D Accounts

	in millions
Beginning balance in GR-Dedicated Accounts, as of September 1, 2015	\$4,605.0
Estimated net reduction in GR-Dedicated Account Balances due to House Bill 1 (General Appropriations Act)	(\$407.0)
Estimated net reduction in GR-Dedicated Account Balances due to House Bill 6 (Funds Consolidation Bill)	(\$573.5)
Estimated net reduction in GR-Dedicated Account Balances due to House Bill 7	(\$142.1)
Revenue estimate revision in the Certification Revenue Estimate	(\$3.7)
Estimated balances in GR-Dedicated Accounts Available for certification of 2016-17 General Revenue Fund Appropriations	\$3,478.7
Note: Totals may not sum due to rounding. Source: Comptroller's Certification Revenue Estimate, October 2015	

GR-D Balances Available for Certification

GR-D Balances
2002-03 to 2016-17 Biennium
(in millions)



SOURCE: Comptroller's Report on the Use of Dedicated Accounts

Summary of Selected GR-D Accounts

(in Millions)

Account Number/Name	Estimated 2015 Ending Balance Biennial Revenue Estimate	2016-17 Estimated Revenue Collections	2016-17 Appropriations	2016-17 Estimated Amount Available for Certification
5071 - Texas Emissions Reduction Plan	\$1,066.5	\$450.8	\$238.5	\$1,246.3
5128 - Employment and Training Investment Holding	\$110.2	\$202.0	\$52.4	\$259.8
151 - Clean Air Account	\$235.8	\$226.9	\$210.9	\$246.0
5050 - 9-1-1 Services Fees	\$156.4	\$101.1	\$119.2	\$138.3
655 - Petroleum Storage Tank Remediation Account	\$155.0	\$49.9	\$47.9	\$135.4
5000 - Solid Waste Disposal Fees	\$122.3	\$19.0	\$11.0	\$130.3
5144 - Physician Education Loan Repayment Program	\$116.4	\$65.7	\$33.8	\$82.6
5101 - Subsequent Injury	\$69.9	\$14.7	\$10.9	\$73.7
5155 - Oil and Gas Regulation and Clean Up	\$64.1	\$157.8	\$149.2	\$72.7
9 - Game Fish and Water Safety	\$69.7	\$263.7	\$267.9	\$65.5

Source: Comptroller's Report on the Use of Dedicated Accounts, 2015

Not All Accounts are Alike

University Current Accounts (Various)

- Fully appropriated
- Use for certification would not impact university access to the accounts
- Timing of tuition collection and expenditures creates predictable year-end balances

Insurance Operating Account No. 36

- Self-leveling
- The Department of Insurance sets maintenance tax rate to cover appropriations
- Timing of tax due date creates year-end balance

House Bill 6 exempted university current accounts and the self-leveling Insurance Operating Account from being counted toward certification of General Revenue appropriations for the 2016-17 Biennium. This provision expires on 8/31/2017 unless re-enacted by the 85th Legislature.

Methods to Reduce Reliance on GR-D Balances

There are four primary methods available to the Legislature that can be used to reduce reliance on GR-D balances:

1. Reducing the rate of revenue collection, or capping the total collected amount;
2. Increasing appropriations from GR-D accounts;
3. Changing the allowable use of the account; and
4. Exempting the available balance in the account from counting toward certification.

Account Specific Considerations

- Is there a policy objective for maintaining a balance?
- Has the relevance of purpose of the current dedication shifted over time? Are other initiatives of higher priority?
- Is the revenue stream designed solely to generate revenue, or is there another public policy goal served by a fine or fee that is then deposited to a GR-D account?
- Is the revenue stream volatile, rendering consistent estimates and appropriations difficult?
- Who has the authority to determine the collection rate?



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