



LEGISLATIVE BUDGET BOARD

Overview of State Fee Revenue, Appropriations, and Reliance on GR-D Balances

PRESENTED TO THE SENATE FINANCE COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

JANUARY 2018

Statement of Interim Charge

Fee Structure Review: Review state General Revenue-dedicated fees and make recommendations to reduce fees and lessen reliance on General Revenue-dedicated fee balances to certify the budget.

Definitions

Fee – Not defined in Texas statute.

Generally defined as: A payment made to the state for a service rendered or a privilege granted, often (but not always) to recoup the cost of providing that service or privilege. (See discussion in *Sources of Revenue*, Texas Comptroller of Public Accounts, 2017)

Fee vs. Tax? “Taxes are an enforced contribution...imposed and collected for the purpose of raising revenue to be used for public and governmental purposes.” - *Internal Revenue Service*

Fees, Licenses, Fines and Penalties. Category used by the Texas Comptroller of Public Accounts to describe fees and other, similar authorized charges.

Authority to Set Fees

Who has the authority to determine the collection rate?

- **Set in Statute**

- *Certificate of Title fees*: \$33 in nonattainment counties, \$28 in attainment counties
- *Securities fees*: 1/10 of 1% of the aggregate amount to be sold
- *Application and license to carry a handgun*: \$40

- **Set by Agency/Governing Board**

- *Agricultural licenses/fees*: Set by Department by rule
 - *Hunting License fees*: \$8 or a higher amount as determined by TPWD (currently \$25)
 - *Insurance filing fees*: Set by department but may not exceed statutorily listed maximum
- Statute may direct agencies/boards to set rates at a level sufficient to cover operating costs

- **Self-leveling**

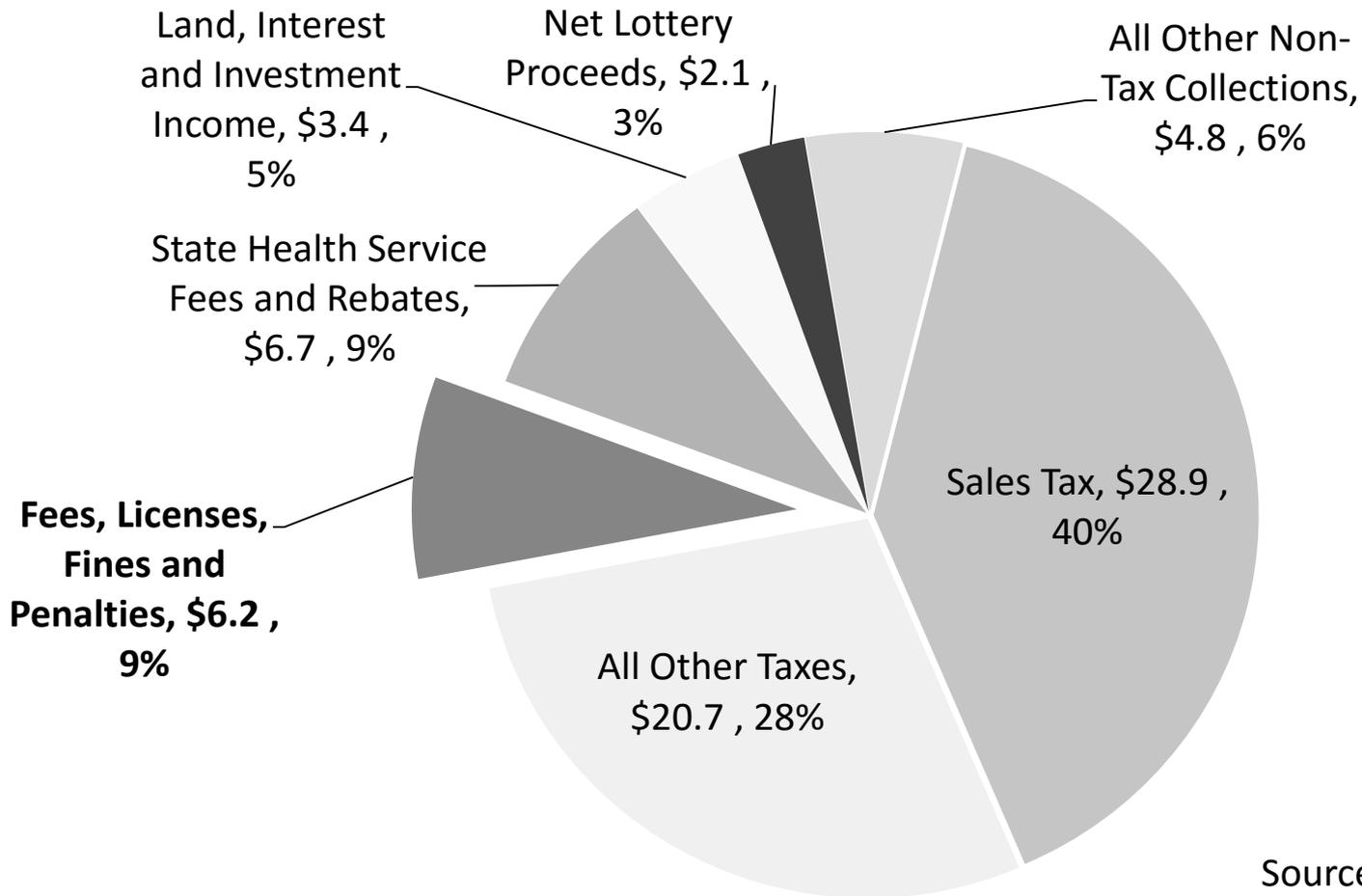
- *Insurance maintenance taxes*: Set by Department at levels sufficient to fund appropriations

- **Interaction with GAA**

- Fees not established in bill – would be making general law
- Legislature may not appropriate entire amount of projected fee revenue, or may provide appropriation authority for additional revenue raised

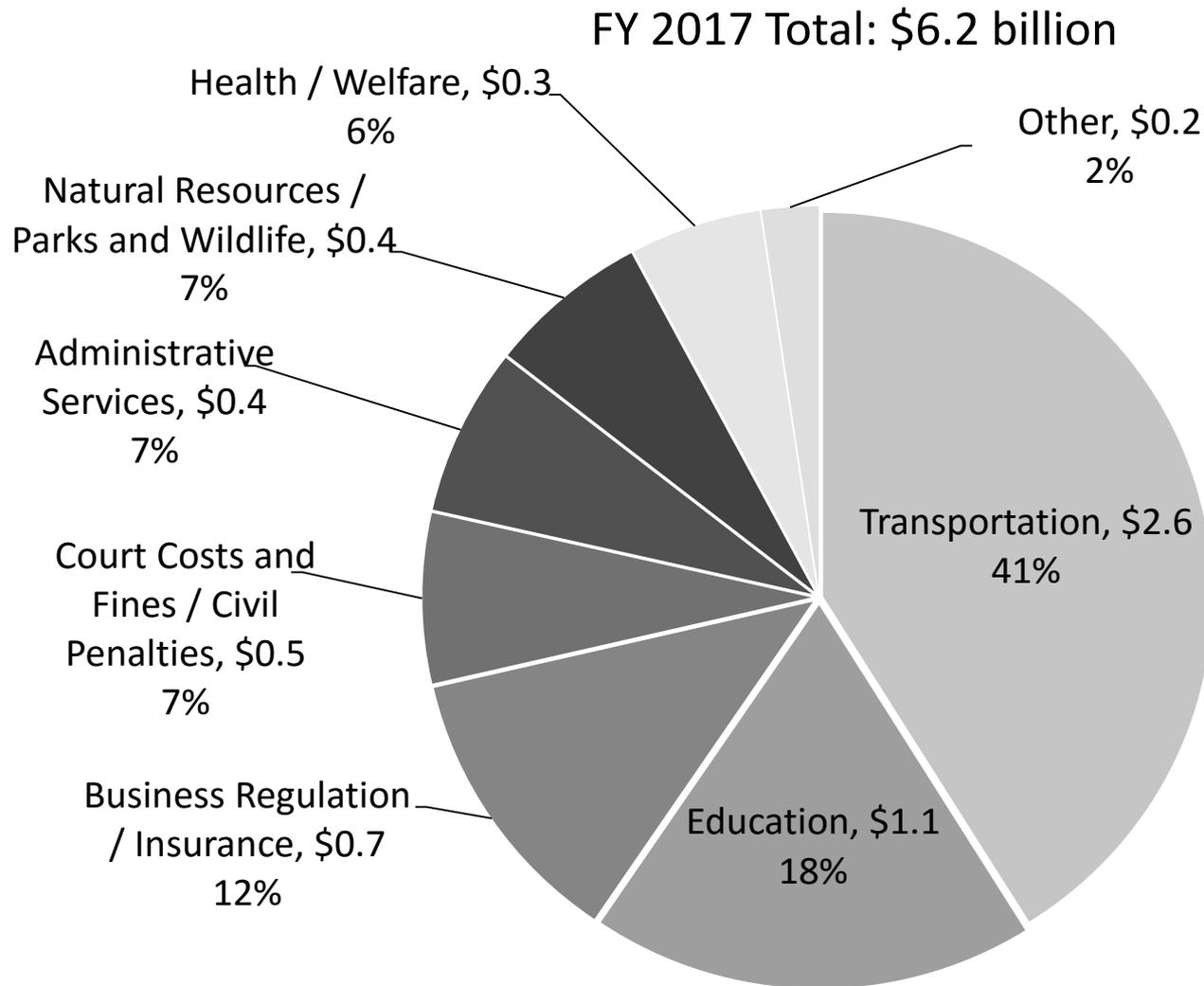
Non-federal Revenue by Source, FY 2017

FY 2017 Total = \$72.8 billion



Source: CPA

Fees, Licenses, Fines & Penalties Revenue, by Category



Source: CPA

Examples of Fees by Category, FY 2017

CPA has approximately **220** active revenue object codes for fees, licenses, fines and penalties.

Transportation	\$	Business Reg. / Insurance	\$	Natural Resources / Parks	\$
Motor Vehicle Registration	\$1.5 B	Securities Fees	\$149 M	Game/Fish/Equipment Fees	\$106 M
Motor Vehicle Certificates	\$226 M	Professional Fees	\$94 M	Air Pollution Control Fees	\$60 M
Driver's License Fees	\$143 M	General Business Filing Fees	\$93 M	Waste Treatment Inspection	\$36 M
Commercial Transportation Fees	\$21 M	Agriculture Inspection Fees	\$18 M	Oil and Gas Violations	\$23 M
Toll Project Revenue	\$21 M	Race Track Licenses	\$7 M	Water Use Permits	\$8 M

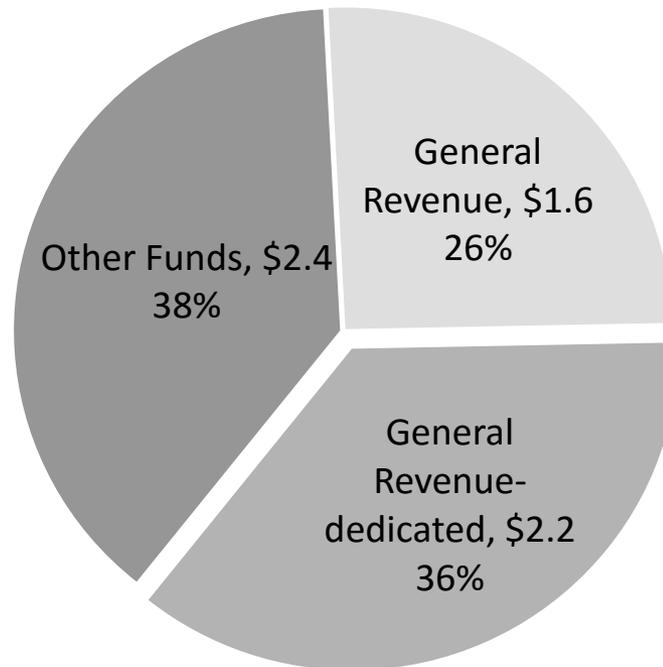
Education	\$	Court Costs / Civil Penalties	\$	Health and Welfare	\$
Higher Ed Tuition	\$1.1 B	Court Costs	\$264M	Health Care Facility Fees	\$80 M
Teacher Certification	\$30 M	Court Fines	\$75 M	Medical Exam & Regist.	\$41 M
Student Loan Fees	\$1.6 M	Civil Penalties	\$78 M	Health Profession Fees	\$33 M
School Bond Guarantee Fees	\$0.5 M			Food and Drug Fees	\$15 M

Fees, Licenses, Fines and Penalties, by MOF Deposit

FY 2017 Total = \$6.2 billion

Other Funds

- Motor Vehicle Registration
- Motor Vehicle Certificates
- Drivers License Fees
- Special Vehicle Permits
- Court Costs



General Revenue

- Securities Fees
- City Sales Tax Service Fees
- Administrative Service Fees
- Professional Fees
- Business Filing Fees

GR-Dedicated

- Higher Education Tuition
- Court Costs
- Game/Fish Equipment Fees
- Air Pollution Control Fees
- State Park Fees
- Waste Disposal Fees

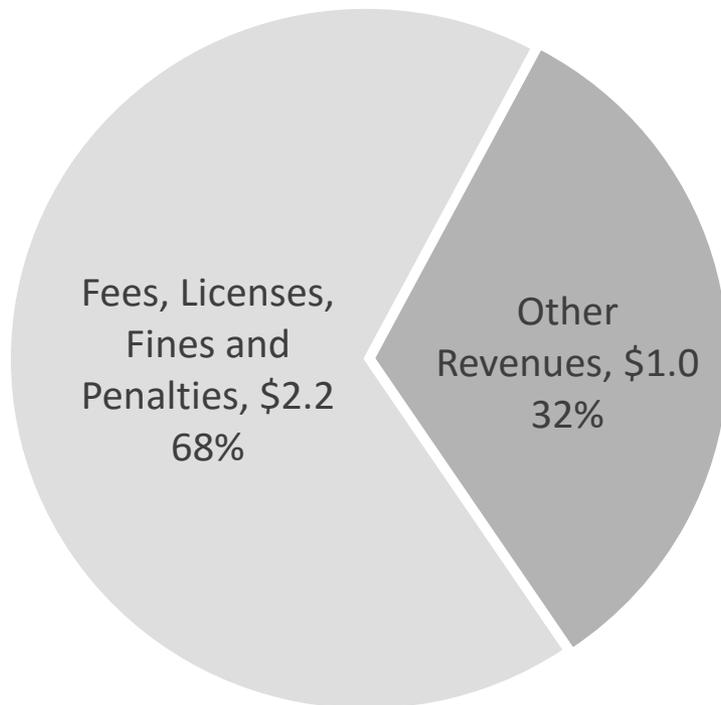
Source: CPA and LBB

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 approximately 200 such accounts, and the Legislature may appropriate revenue from these accounts only for the purpose to which the revenue is statutorily dedicated. Balances within the General Fund are available to certify the appropriations bill.

Fees as Percentage of Total GR-D Revenue

FY 2017 GR-D Revenue: \$3.2 billion



Other Sources of GR-D Revenue

Taxes (boat sales and use, cigar/tobacco products, insurance operating taxes)

Lottery Operating Costs

Unclaimed Lottery Proceeds

Federal Receipts

Sale/Lease of Assets

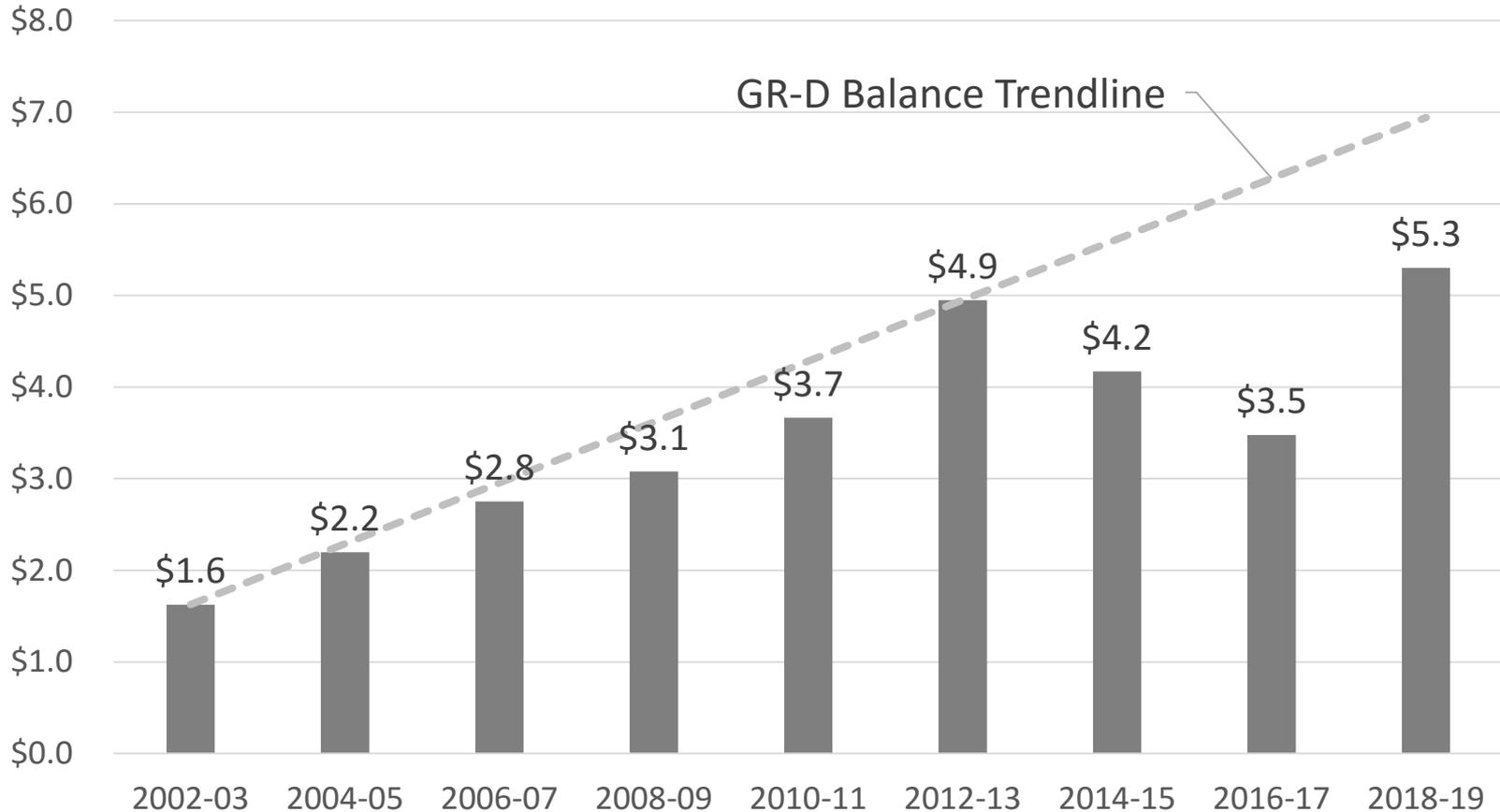
Gifts, Grants and Donations

Judgments and Settlements

Source: CPA

GR-D Balances Counted for Certification

(in billions)



Source: CPA and LBB

GR-D Accounts with Largest Estimated Balances Available for Certification

Amounts in millions

GR-D Account	2017 Ending Balance	2018-19 Estimated Revenue	2018-19 Appropriations	2018-19 Estimated Amount Available for Certification
Texas Emissions Reduction Plan (TERP)	\$1,384	\$193.4	\$157.3	\$1,744.3
Employment and Training Investment Holding	\$108.8	\$227.7	\$0.8	\$227.8
Clean Air Account	\$199.6	\$216.6	\$112.5	\$303.7
9-1-1 Services Fees	\$119.1	\$96.4	\$109.3	\$106.1
Petroleum Storage Tank Remediation	\$131.8	\$32.5	\$48.9	\$115.4
Solid Waste Disposal Fees*	\$132.6	\$20.0	\$11.0*	\$141.6*
Physician Education Loan Repayment Program	\$122.4	\$0.0	\$25.4	\$97.1
Subsequent Injury	\$81.0	\$20.0	\$15.4	\$85.5
Oil and Gas Regulation and Cleanup	\$78.7	\$142.4	\$140.8	\$80.3
Game, Fish and Water Safety	\$40.4	\$287.1	\$255.7	\$71.8

*Amounts do not reflect November 2017 emergency appropriation of \$90 million from the Solid Waste Disposal Fees Account for debris removal grants, via Rider 3 in the Trusteed Programs within the Office of the Governor's bill pattern.

Source: CPA and LBB

Reducing Reliance on GR-D Balances for Certification

Four primary methods available to the Legislature to reduce reliance on GR-D balances:

1. Reducing rate of revenue collection (including abolishment), capping 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.

Considerations

- Is the revenue stream designed solely to generate revenue to cover administrative costs, or is there another public policy goal served by a fee or fine?
- 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?
- Who has the authority to determine the collection rate?
 - Set in Statute
 - Set by Agency/Governing Board

Examples of Recent Fee Reductions/Eliminations to Reduce Reliance on GR-D Balances

85th Legislature

- SB 16 reduced fee for concealed carry permit (\$22.4 million in GR);
- HB 2578 abolished several license fees related to bingo (\$6.4 million in GR); and
- HB 2662 reduced the non-party compact waste disposal surcharge and removed a surcharge on federal facility waste for the 2018-19 biennium (temporary, \$1.5 million in GR-D)

84th Legislature

- HB 7 eliminated certain occupational license fees and taxes, commonly referred to as \$200 fee (\$251.5 million in GR-R);
- HB 7 reduced the assessment of the diesel surcharge on the sale, lease, or rental of certain off-road equipment (\$32.5 million in GR-D); and
- HB 7 modified basis for assessment of petroleum product delivery fee; resulted in fee reduction (\$22.0 million mostly GR-D)

83rd Legislature

- HB 7 eliminated non-bypassable fee that previously financed the System Benefit Fund (\$245.5 million in GR-D);
- HB 7 limited the assessment against certain insurers for rural fire protection (\$23.0 million in GR-D);
- HB 7 reduced rates for certain solid waste disposal fees, and changed the allocation of those fees (\$17.3 million in GR-D); and
- HB 485 reduced concealed handgun permit fees for various individuals (\$0.8 million in GR)



LEGISLATIVE BUDGET BOARD

Contact the LBB

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