

- SUBJECT:** Dedicated fund balances available for budget certification
- COMMITTEE:** Appropriations — favorable, without amendment
- VOTE:** 20 ayes — Otto, Sylvester Turner, Ashby, Bell, G. Bonnen, Burkett, Capriglione, S. Davis, Gonzales, Howard, Hughes, Koop, Longoria, McClendon, Muñoz, Phelan, Raney, J. Rodriguez, VanDeaver, Walle
- 0 nays
- 7 absent — Dukes, Giddings, Márquez, Miles, R. Miller, Price, Sheffield
- WITNESSES:** For — Stephen Minick, Texas Association of Business; (*Registered, but did not testify*: Glenn Morrison, City of Killeen)
- Against — None
- On — (*Registered, but did not testify*: Ursula Parks and Zelma Smith, Legislative Budget Board; Rob Coleman, Texas Comptroller of Public Accounts)
- BACKGROUND:** General revenue dedicated funds are funds collected for a specific purpose designated in state law. In 1991, during a process called funds consolidation, the Legislature began phasing out restrictions on many dedicated revenue funds and changing the methods of fund accounting. While some funds were abolished, many were not. Each session since 1995, the Legislature has enacted a funds consolidation bill detailing which funds, accounts, and dedications were exempt from being abolished.
- Since 1991, unappropriated balances in dedicated accounts have been counted as available to certify general revenue fund appropriations, according to the Legislative Budget Board’s February 2015 report on reducing reliance on general revenue dedicated accounts for budget certification. Government Code, sec. 403.095(b), makes dedicated revenue that on August 31, 2015, exceeds appropriated or encumbered

amounts available for general government purposes and considers that dedicated revenue to be available for budget certification.

Texas Constitution, Art. 3, sec. 49a limits state spending to the amount of revenue the comptroller estimates will be available during the two-year budget period. The comptroller must certify that the state will have enough revenue to pay for approved spending. The comptroller estimated in the 2015 biennial revenue estimate that there would be \$4.4 billion in general revenue-dedicated account balances available to certify the budget at the end of fiscal 2015, increasing to \$4.7 billion by fiscal 2017.

DIGEST:

HB 6 would update references in Government Code, sec. 403.095(b) that govern the use of dedicated revenues to extend its provisions through fiscal 2017 and to make them apply to the 84th Legislature. The section would expire September 1, 2017. As a result, dedicated revenues that on August 31, 2017, were estimated to exceed the amount appropriated by the general appropriations act or other laws enacted by the 84th Legislature would be available for general purposes and would be considered available for budget certification.

The bill would abolish funds and accounts created, recreated, or dedicated by the 84th Legislature on the later of August 31, 2015, or the date of when the act creating or dedicating them took effect. Excluded from abolition would be dedications, funds, and accounts that:

- were enacted before the 84th Legislature convened to comply with requirements of state constitutional or federal law; or
- remained exempt from abolition during funds consolidation in 1991.

Abolition also would not apply to increases in fees or in other dedicated revenue and increases in fees required to be deposited in a fund or account covered by the bill. Federal funds, trust funds, bond funds, and constitutional funds also would be excluded.

The bill would not abolish newly authorized dedications or uses of

dedicated funds, dedicated accounts, or dedicated revenue as provided by the 84th Legislature if an act affected a fund, account, or revenue that was exempted from fund consolidation before January 1, 2015.

Dedicated funds, dedicated accounts, and dedicated revenue that were exempt from funds consolidation before January 1, 2015, could be used as provided by an act of the 84th Legislature. Changes in names or uses of previously exempted dedicated funds or accounts would not affect the dedication of the fund or account.

The bill would prevail over any other act of the 84th Legislature that attempted to create a special fund or account or to dedicate revenue. Any exemption from Government Code, sec. 403.095 provisions governing the use of dedicated revenue that was in another act of the 84th Legislature would have no effect. Revenue that would be deposited in a special account or fund under another act of the 84th Legislature would be deposited in the undedicated portion of the general revenue fund unless exempted under HB 6.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect on the 91st day after the last day of the legislative session.

**SUPPORTERS
SAY:**

HB 6 is needed to implement the state's budget and to continue the work of the Legislature in reducing the state's reliance on general revenue dedicated account balances to certify the budget. The bill would define which account balances were rolled into the general revenue fund to count toward the budget certification and which ones were exempted. This is necessary to implement the general appropriations act, which makes appropriations based on the balances of various accounts.

The bill would extend by two years the dates on which certain account balances were rolled into general revenue. This would allow the accounts to remain dedicated while allowing their balances to continue to be considered available for certification. At the end of that time, the issue of counting general revenue dedicated account balances for certification

would be revisited and could be adjusted to meet the needs of the 85th Legislature. The bill also would ensure that any funds or accounts created by the 84th Legislature did not run afoul of the state's efforts.

The bill would not establish a cap on the amount of general revenue account balances that could be used for certification because those efforts are ongoing in CSHB 7 by Darby and the House-passed general appropriations act. Those bills are on track to reaching the goal of reducing reliance on the dedicated account balances used for certification to about \$3 billion. In addition, HJR 111 by Darby would address the issue of reducing reliance on general revenue account balances by amending the Constitution to prohibit the comptroller from considering dedicated account or fund balances as available for certification when determining the biennial revenue estimate.

OPPONENTS
SAY:

While HB 6 would be a step in the right direction, it could go further in addressing the issue of ending the state's reliance on using general revenue dedicated account balances for budget certification. One option for ensuring reduced reliance on general revenue dedicated accounts for certification would be to establish a cap on the general revenue dedicated balances that the comptroller could count toward budget certification. The 83rd Legislature did this in its fund consolidation bill, and it worked to ensure there was agreement on the maximum amount of balances that would be used for certification. Another option would be to establish a cap on the amount of general revenue dedicated account balances that could be used for certification and then to lower that cap periodically until it reached a level the Legislature found appropriate.

While other efforts, including a proposal to amend the Constitution, are ongoing to ensure that the Legislature reduces its reliance on general revenue dedicated account balances to certify the budget, the inclusion of a cap in HB 6 might be appropriate because other ideas may not come to fruition.

NOTES:

The Senate companion bill, SB 1736 by Hinojosa, was referred to the Senate Finance Committee on March 24.