

SUBJECT: Delay of allocation to state highway fund from general revenue fund

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 19 ayes — Junell, Delisi, Carona, Clemons, Cook, Conley, R. Cuellar, Davis, Gallego, Glaze, Gray, Greenberg, Harris, Heflin, Johnson, McDonald, Mowery, Park, Swinford

0 nays

8 absent — Coleman, H. Cuellar, Haggerty, Hernandez, Kubiak, Ogden, Raymond, S. Turner

SENATE VOTE: On final passage, April 3 — 29-0

WITNESSES: None

BACKGROUND: The state's motor-fuel taxes, on gasoline, diesel fuel and liquefied gas, go first to the general revenue fund, then after deductions for enforcement and unclaimed refunds are allocated monthly, with one-quarter to the Available School Fund and three-quarters for highway construction and maintenance. Tax returns and payments are due on the 25th of each month, and the transfer from general revenue is made on the fifth working day of the following month.

SB 82 by Montford, enacted by the 73rd Legislature, will delay the transfer of \$300 million from the general revenue fund to the state highway fund.

DIGEST: SB 410 would direct the comptroller to delay to fiscal 1998 the transfer of motor fuel taxes for June, July and August 1997 from general revenue to the state highway fund. The transfer would be made between September 5, 1997, and September 10, 1997.

The bill would repeal Tax Code sec. 153.5015 (added by SB 82), which delays the allocation of motor fuels taxes from the general revenue fund to the state highway fund until fiscal 1996.

The bill would take effect immediately if approved by a two-thirds vote of the membership of each house.

**SUPPORTERS
SAY:**

Delaying the June, July and August 1997 transfer of motor fuels taxes from general revenue would free \$297 million for certification of the fiscal 1996-97 state budget. This would allow state budget writers extra flexibility to fund public and higher education, health and human services and criminal justice.

The highway fund would experience no loss of funds, because the full transfer of funds would occur before September 10, 1997. Payments to highway contractors from this fund would not be interrupted, since the Texas Department of Transportation would have two full years to prepare for the delay.

Delay of fund transfers has been a budgetary practice followed by the Texas Legislature since 1983 and has caused no problems for the state. The 75th Legislature would be able to account for the delayed transfer.

**OPPONENTS
SAY:**

If the Legislature appropriates the money made available by this accounting maneuver, the state will have to replace it, or once again delay the transfer of funds in the next budgetary cycle. This sort of "smoke and mirrors" budget gimmickry postpones the need to control state spending by spending only what is available during the biennium. Budgetary discipline would suggest that the \$300 million "borrowed" last biennium be replaced and that the books be put back in balance, rather than continuing the transfer cycle.

NOTES:

SB 8 by Montford, which repeals deferred payment provisions relating to the Teacher Retirement System and the Employee Retirement System enacted by the 73rd Legislature, was signed by the governor on March 31.