

**SUBJECT:** Delaying motor-fuel tax transfers

**COMMITTEE:** Appropriations — favorable, without amendment

**VOTE:** 25 ayes — Junell, Delisi, Averitt, Coleman, Cuellar, Davis, Eiland, Finnell, Gallego, Glaze, Greenberg, Haggerty, Heflin, Hernandez, Hochberg, Kubiak, Moreno, Mowery, Pitts, Raymond, Swinford, Tillery, S. Turner, Walker, West

0 nays

2 absent— Hinojosa, Price

**WITNESSES:** None

**BACKGROUND :** State revenues from motor-fuel taxes on gasoline, diesel fuel and liquefied gas are paid into the general revenue fund and then allocated monthly after deductions for enforcement and unclaimed refunds. One-quarter of these revenues are dedicated to the Available School Fund; three-quarters go for state and county highway construction and maintenance.

During the 74th session, the Legislature directed the comptroller to delay until fiscal 1998 the motor fuels tax transfers due the state highway fund for June, July and August of fiscal 1997 in order to create revenue gain about \$304 million for fiscal 1997.

**DIGEST:** HB 834 would direct the comptroller to delay until fiscal 2000 the transfer of motor fuels taxes due the state highway fund for June, July and August 1999. The transfer would be made between September 5 and September 10, 1999.

The transfer delay to fiscal 1998 would be eliminated.

The bill would take immediate effect if finally approved by a two-thirds record vote of the membership of both houses. It would expire October 1, 1999.

**SUPPORTERS SAY:** HB 834 would free up \$317 million for certification in the fiscal 1998-99 budget. This would help state budget writers meet more of the funding

requests in the budget “wish list” totalling \$4.2 billion.

The highway fund would experience no actual loss of funds, because the full transfer of funds would occur before September 10, 1999. Payments to highway contractors from this fund would not be seriously interrupted, since the Texas Department of Transportation would have two full years to prepare budgets, contracts and contractors for this brief delay.

Delay of fund transfers has been a budget technique used by the Legislature since 1983 and has caused no problems for the state. It is a safeguard that can be reversed by a subsequent legislature should the need for additional funds become unnecessary.

Furthermore, if enacted immediately, HB 834 also would reinstate the transfers for June, July and August of *this* fiscal year by eliminating the delays scheduled by the 74th Legislature for the end of fiscal 1997. The \$2 billion balance in general revenue anticipated by the comptroller for the current biennium make those delays unnecessary.

**OPPONENTS  
SAY:**

If the Legislature appropriated for fiscal 1998-99 all the money made available by this accounting maneuver, the state would, in effect, owe \$317 million, which it would either have to pay in the next budgetary cycle or else once again delay the transfer of funds. This sort of smoke-and-mirrors budget gimmickry has been used too long to postpone the need to control state spending or raise sufficient revenues so that spending is within available revenues for each biennium.

This bill could create state budget “flexibility” potentially at the expense of highway contractors and their employees on certain highway projects. The delay in transferring funds could mean that the state could negotiate a reduced number of highway contracts or that it would have to hold off paying in full highway contractors for services performed at the end of fiscal 1999.