

**SUBJECT:** Eliminating dedicated funds and freeing them for general spending

**COMMITTEE:** Appropriations — committee substitute recommended

**VOTE:** 27 ayes — Junell, West, Coleman, Glaze, Gutierrez, Hamric, Heflin, Maxey, Puente, S. Turner, Allen, Eiland, Farrar, Flores, Giddings, Hochberg, T. King, Luna, McReynolds, Pickett, Pitts, Smith

0 nays

5 absent — Delisi, Gallego, Moreno, Mowery, Janek

**WITNESSES:** For — None

Against — None

On — Mike Reissig, Comptroller of Public Accounts

**BACKGROUND:** Government Code, secs. 403.094-403.096 govern consolidation, abolition, and use of state funds. Since 1991, the Legislature has been phasing out restrictions on many dedicated revenue funds and changing the methods of fund accounting. In the past, most dedicated revenue was held in separate “special funds” outside of general revenue, limiting the amount of general revenue available for general-purpose spending.

In 1991, the comptroller’s Texas Performance Review identified 537 state funds in the state treasury, 366 of which held cash balances at the end of fiscal 1990. Since then, the Legislature has phased in the consolidation of many dedicated funds into general revenue and has contained the growth of newly created dedicated accounts. By August 31, 1995, 130 consolidated general revenue accounts lost their dedicated status, and 184 were established as dedicated general revenue accounts on September 1, 1995.

Funds consolidation changes also have included annual one-day accounting “sweeps.” Government Code, sec. 403.095(b) and (c), requires that on August 31, 2001, cash balances in dedicated revenue accounts that exceed amounts appropriated or encumbered be transferred into general revenue to

be counted as available general revenue by the comptroller. Accounts exempt from this provision include those created by a court or the Texas Constitution, trust funds, federally required funds, and funds outside the treasury. The availability of dedicated revenues for general governmental purposes is scheduled to expire September 1, 2001.

DIGEST:

CSHB 3088 would abolish on August 27, 2001, most funds and accounts created or recreated in the treasury or dedicated or rededicated by an act of the 77th Legislature. This would not apply to statutory dedications, funds, and accounts enacted before the 77th Legislature convened or to accounts that were exempt from previous consolidation requirements in effect through August 30, 1995.

The following funds and accounts would be exempt from the abolition of accounts or dedications if created by an act of the 77th Legislature:

- ! the fair campaign spending account proposed by HB 2 by Gallego, et al.;
- ! the system benefit fund account proposed by HB 1902 by S. Turner;
- ! the tertiary care account proposed by HB 893 by Hinojosa and Coleman;
- ! the water well plugging account proposed by HB 3188 by Puente;
- ! the permanent management facility decommissioning account or the assured isolation conversion account proposed by HB 3420 by Chisum or SB 1541 by Luna;
- ! the highway billboard removal account proposed by HB 1965 by Danburg;
- ! the private sector prison industry expansion account proposed by HB 1617 by Allen; and
- ! the volunteer fire department assistance fund proposed by HB 2604 by McReynolds, et. al.

The abolition of accounts or dedications also would not apply to:

- ! funds created by the 77th Legislature for which separate accounting is required by federal law;
- ! trust funds or dedicated revenue deposited to trust funds, bond funds, and pledged funds created by the 77th Legislature, if held outside the treasury with the comptroller's approval or in the treasury with the comptroller in trust;

- ! funds or accounts created or recreated in the Texas Constitution or revenue that would be dedicated by the constitution under amendments proposed by the 77th Legislature;
- ! revenue consisting of court costs authorized by an act of the 77th Legislature; and
- ! revenue from the sale of motor-vehicle license plates authorized by the 77th Legislature.

CSHB 3088 would make available for use for general governmental purposes on August 31, 2003, balances in certain dedicated revenue accounts that exceed the amounts appropriated by the general appropriations act or other act of the 77th Legislature. Such funds also would be considered available for certification of the state budget.

CSHB 3088 would prevail over any other act of the 77th Legislature that purported to create or recreate a special fund or account in the state treasury or to dedicate or rededicate revenue to a particular purpose, regardless of effective dates.

The 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 August 27, 2001.

NOTES:

The committee substitute added exemptions for:

- ! the tertiary care account proposed by HB 893 by Hinojosa and Coleman;
- ! the water well plugging account proposed by HB 3188 by Puente; and
- ! the permanent management facility decommissioning account or the assured isolation conversion account proposed by HB 3420 by Chisum or HB 1541 by Luna.