

SUBJECT: Eliminating dedicated funds and freeing them for general spending

COMMITTEE: Appropriations — committee substitute recommended

VOTE: 22 ayes — Pitts, Berman, B. Brown, F. Brown, Chisum, Crownover, J. Davis, Edwards, Gattis, Guillen, Haggerty, Hamric, Hegar, Hope, Hopson, T. King, Kolkhorst, Martinez, Menendez, Pena, T. Smith, Turner

0 nays

7 absent — Luna, Branch, Dukes, Isett, McClendon, Pickett, Truitt

SENATE VOTE: On final passage, May 16 — 30-0

WITNESSES: None

BACKGROUND: Government Code, secs. 403.094-403.096 govern the consolidation, abolition, and use of state funds.

DIGEST: CSSB 1605 would abolish on August 29, 2005, most funds and accounts created or re-created in the treasury or dedicated or rededicated by an act of the 79th Legislature. This would not apply to statutory dedications, funds, and accounts enacted before the 79th Legislature convened or to accounts that were exempt from previous consolidation requirements in effect through August 30, 1995.

It would reenact and amend all accounts created or re-created by certain acts of the 79th Legislature and would exempt certain existing accounts from the abolition of accounts or dedications, including:

- all accounts created or re-created by HB 2 by Grusendorf, the public education bill, HB 3 by J. Keffer, the omnibus tax bill, and HB 3540 by Pitts and SB 1863 by Ogden, making various appropriations-related statutory changes;
- the Texas Enterprise Fund Job Training Account, and the Emerging Technology Fund; Judicial Compensation Fund; State Highway Fund; Game, Fish, and Water Safety Account; Texas Department of Insurance Operating Account; Clean Air Account; Coastal

Protection Account; Water Resource Management Account; and the Unemployment Compensation Special Administration Account;

- any dedication or rededication of license plate fee revenue authorized by the 79th Legislature;
- funds created by the 79th Legislature for which separate accounting was required by federal law;
- trust funds or dedicated revenue deposited to trust funds, bond funds, and pledged funds created by the 79th Legislature, if held outside the treasury with the comptroller's approval or in the treasury with the comptroller in trust; and
- funds or accounts created or recreated in the Texas Constitution or revenue that would be dedicated by the Constitution under amendments proposed by the 79th Legislature.

CSSB 1605 would make available for use for general governmental purposes on August 31, 2007, balances in certain dedicated revenue accounts that exceeded the amounts appropriated by the general appropriations act or other act of the 79th Legislature. Such funds also would be considered available for certification of the state budget.

CSSB 1605 would prevail over any other act of the 79th Legislature that purported to create or re-create 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 on the 91st day after the last day of the regular session (August 29, 2005).

**SUPPORTERS
SAY:**

SB 1605 would continue the process of fund consolidation and preservation that recent Legislatures have done. 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) require that on August 31, 2005, cash balances in dedicated revenue accounts that exceed amounts appropriated or encumbered be transferred into general revenue 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, 2005.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The fiscal note states that the impact of SB 1605 would depend on actions on other legislation by the 79th Legislature.

The committee substitute removed references to the Quality Assurance Account, Felony Prosecutor Supplement Fund, Judicial and Court Personnel Training Fund, and Judicial Fund. It added references to the Texas Emerging Technology Fund; the Employment and Training Investment Fund; Judicial Compensation Fund; State Highway Fund; Game, Fish, and Water Safety Account; Texas Department of Insurance Operating Account; Clean Air Account; Coastal Protection Account; Water Resource Management Account; Unemployment Compensation Special Administration Account; and all accounts or funds created or re-created by HB 2, HB 3, HB 3540, and SB 1863.