

- SUBJECT:** Separating federal funds from the general revenue fund
- COMMITTEE:** Appropriations — committee substitute recommended
- VOTE:** 16 ayes — Zerwas, Longoria, G. Bonnen, Cospers, S. Davis, Dean, Giddings, Gonzales, Howard, Koop, Miller, Phelan, Raney, Roberts, J. Rodriguez, VanDeaver
- 0 nays
- 11 absent — Ashby, Capriglione, Dukes, González, Muñoz, Perez, Rose, Sheffield, Simmons, Walle, Wu
- WITNESSES:** For — (*Registered, but did not testify:* Carolyn Brittin, Associated General Contractors of Texas Heavy, Highway, and Utilities Branch)
- Against — None
- On — Rob Coleman, Comptroller; (*Registered, but did not testify:* Ursula Parks, Legislative Budget Board)
- BACKGROUND:** Art. 3, sec. 49-g of the Texas Constitution, ratified by voters in 1988, created the Economic Stabilization Fund (ESF). The fund, also known as the rainy day fund, is capped at 10 percent of general revenue funds deposited during the previous biennium, excluding investment income, interest income, and amounts in general revenue borrowed from special funds.
- In 1995, the 74th Legislature enacted HB 3050 by Junell, which consolidated certain funds into general revenue. Among those were two welfare-related funds that had received most of the federal money that Texas received. As a result, federal funds that previously were excluded from general revenue now are included. Observers note that this increased the cap on the ESF beyond what was originally intended.
- DIGEST:** CSHB 40 would prohibit the comptroller from depositing monies received

from the federal government to the general revenue fund. Instead, federal money would be required to be accounted for and administered separately from general revenue in a way that would ensure federal money was used for the purpose for which it was received. Pursuant to this goal, the comptroller could create, consolidate, or segregate funds or accounts inside the treasury.

Interest and other earnings on money from the federal government would be deposited to the general revenue fund.

The bill would take effect September 1, 2017, and to the extent of any conflict, CSHB 40 would prevail over other law providing for money received from the federal government or earnings on money received from the federal government, to be deposited to the credit of the general revenue fund.

NOTES:

The Legislative Budget Board's fiscal note estimates that this bill would have a positive impact of around \$825 million on general revenue related funds in fiscal 2019, due to reductions in the cap on the Economic Stabilization Fund, assuming no appropriations were made from that fund.

The fiscal note also indicates that health and human services agencies would need to reconfigure their internal accounting system, although a cost could not be estimated.