

SUBJECT: Updating dedicated fund balances available for budget certification

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 25 ayes — Bonnen, M. González, Ashby, C. Bell, Capriglione, Dean, Dominguez, Gates, Holland, Howard, A. Johnson, Jarvis Johnson, Julie Johnson, Minjarez, Morrison, Raney, Rose, Schaefer, Stucky, E. Thompson, Toth, VanDeaver, Walle, Wilson, Zwiener

0 nays

2 absent — Sherman, Wu

WITNESSES: For — None

Against — None

On — Vance Ginn, Texas Public Policy Foundation; (*Registered, but did not testify*: Phillip Ashley, Texas Comptroller of Public Accounts)

BACKGROUND: General revenue dedicated funds are funds collected for a specific purpose designated in state law. In the early 1990s, during a process called funds consolidation, the Legislature began phasing out restrictions on many dedicated revenue funds and changing the methods of fund accounting. While some funds were abolished, some were not. Since that time, the Legislature has enacted funds consolidation bills detailing which funds, accounts, and dedications were exempt from being abolished.

Unappropriated cash balances in general revenue dedicated accounts are counted as available to certify general revenue fund appropriations, according to the Legislative Budget Board's *Fiscal Size-Up for the 2020-21 Biennium*. Government Code sec. 403.095(b) makes dedicated revenue that on August 31, 2021, exceeds appropriated or encumbered amounts available for general government purposes and considers that dedicated revenue to be available for budget certification.

Texas Constitution, Art. 3, sec. 49a limits state spending to the amount of revenue the comptroller estimates will be available during the two-year budget period. The comptroller must certify that the state will have enough revenue to pay for approved spending.

DIGEST:

HB 2896 would update references in Government Code sec. 403.095(b) to extend the section's provisions through fiscal 2023 and to make them apply to the 87th Legislature. The section would expire September 1, 2023. As a result, dedicated revenues that on August 31, 2023, were estimated to exceed the amount appropriated by the general appropriations act or other laws enacted by the 87th Legislature would be available for general purposes and would be considered available for budget certification.

The bill would abolish funds and accounts created, recreated, or dedicated by the 87th Legislature on the later of August 31, 2021, or the date when the act creating or dedicating them took effect.

Dedications, funds, and accounts would be excluded from abolition if they were enacted before the 87th Legislature convened to comply with requirements of state constitutional or federal law or if they remained exempt from being abolished during funds consolidation. Abolition also would not apply to increases in fees or other dedicated revenue and to increases in fees or revenue required to be deposited in a fund or account that was exempt. Certain federal funds, trust funds, bond funds, and constitutional funds also would be excluded.

The bill would not abolish newly authorized uses of dedicated funds or dedicated accounts, as provided in an act of the 87th Legislature, if an act affected a fund or account that was exempted from fund consolidation before January 1, 2021, and the newly authorized use was within the scope of the original dedication.

Interest and other earnings accruing on revenue in accounts in the general revenue fund that are available for certification and were created or re-created by the 87th Legislature, regular session, would be available for

any general governmental purpose.

By September 30, 2021, the comptroller would have to take actions related to specialty license plates. The comptroller would have to eliminate all dedicated accounts established for specialty license plates and set aside the balances of those dedicated accounts for appropriations only for the purposes in their dedications. After September 1, 2021, the portion of a fee designated for a dedicated account would have to be paid instead to an account in a trust fund outside the general revenue fund that could be allocated only as provided for in the dedications of the revenue.

The bill would prevail over any other act of the regular session of the 87th Legislature that attempted to create a special fund or account or to dedicate revenue. Any exemption from Government Code sec. 403.095 provisions governing the use of dedicated revenue that was in another act of the 87th Legislature would have no effect. Revenue that would be deposited in a special account or fund under another act of the 87th Legislature would be deposited in the undedicated portion of the general revenue fund unless exempted under this bill.

HB 2896 also would prevail over any other act of the 87th Legislature, regular session, that attempted to allocate interest or other earnings accruing on revenue held in an account in the general revenue fund if available for certification under statute.

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 September 1, 2021.