

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

**COMMITTEE:** Appropriations — committee substitute recommended

**VOTE:** 22 ayes — Heflin, Luna, Berman, Branch, B. Brown, F. Brown, Crownover, J. Davis, Deshotel, Ellis, Hamric, Hope, Hupp, Isett, E. Jones, Kolkhorst, Menendez, Pickett, Pitts, Solis, Stick, Wohlgemuth

0 nays

7 absent — Dukes, Eiland, Gutierrez, McClendon, Raymond, Truitt, Turner

**WITNESSES:** None

**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, 2003, 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, 2003.

DIGEST:

CSHB 3318 would abolish on August 30, 2003, most funds and accounts created or recreated in the treasury or dedicated or rededicated by an act of the 78th Legislature. This would not apply to statutory dedications, funds, and accounts enacted before the 78th Legislature convened or to accounts that were exempt from previous consolidation requirements in effect through August 30, 1995.

It would reenact and amend the system benefit fund, a utility fee-based fund, and the subsequent injury fund, a worker's compensation fund, but would exempt both from the requirements for the use of dedicated funds in Government Code sec. 403.095. It also would reenact the tertiary care account, a medical services account.

The specialty license plate account proposed by SB 1704 by Wentworth or HB 3106 by Garza, et al. would be exempt from the abolition of accounts if created by an act of the 78th Legislature.

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

- funds created by the 78th 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 78th 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 78th Legislature.

CSHB 3318 would make available for use for general governmental purposes on August 31, 2005, balances in certain dedicated revenue accounts that exceed the amounts appropriated by the general appropriations act or other act of the 78th Legislature. Such funds also would be considered available for certification of the state budget.

CSHB 3318 would prevail over any other act of the 78th 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.

This 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, 2003.

**NOTES:**

The committee substitute was a Legislative Council draft and includes the provisions relating to the system benefit fund, the subsequent injury fund, the tertiary care account, and exemptions contingent on other legislation. It also does not include provisions relating to the telecommunications infrastructure fund, holding fund, and does not create an account for funds from the sale of Texas State Rifle Association license plates.

According to the fiscal note, making the system benefit fund and subsequent injury fund dedicated accounts in the general revenue fund would increase the amount available for certification by a total of \$80.3 million in fiscal 2004-05.