

- SUBJECT:** Eliminating dedicated funds and freeing them for general spending
- COMMITTEE:** Appropriations — favorable, without amendment
- VOTE:** 22 ayes — Chisum, Guillen, Branch, B. Brown, F. Brown, Chavez, Crownover, J. Davis, England, Harper-Brown, Hopson, Isett, Jackson, Kolkhorst, Lucio, McReynolds, Menendez, Noriega, Otto, Riddle, Taylor, Zerwas
- 0 nays
- 7 absent — Allen, Darby, Dukes, Gattis, McClendon, Turner, Van Arsdale
- WITNESSES:** None
- BACKGROUND:** Government Code, sec. 403.095 governs the use of dedicated state revenue.
- DIGEST:** HB 3107 would abolish, on August 27, 2007, most funds and accounts created or re-created in the state treasury or dedicated or rededicated by an act of the 80th Legislature. This would not apply to statutory dedications, funds, and accounts enacted before the 80th Legislature convened or to accounts that were exempt from previous consolidation requirements in effect through August 31, 1995.
- It would reenact and amend all accounts created or re-created by certain acts of the 80th Legislature and would exempt certain new and existing accounts from the abolition of accounts or dedications, including:
- the indigent health care support account under HB 29 by Berman and the border security account under SB 268 by Patrick, bills imposing a fee on certain international money transfers;
 - the tax holiday fund under HB 260 by Callegari, a bill establishing a limit on the growth of state spending;
 - the rail relocation and improvement fund under HB 683 by Villareal, a bill for railroad relocation funding;
 - the campaign finance fund under SB 921 by Ellis, a bill for the public financing of political campaigns;

- the State Highway Fund;
- funds created by the 80th 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 80th 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 80th Legislature.

HB 3107 would make available for use for general governmental purposes on August 31, 2009, balances in certain dedicated revenue accounts that exceeded the amounts appropriated by the general appropriations act or other act of the 80th Legislature. Such funds also would be considered available for certification of the state budget.

HB 3107 would prevail over any other act of the 80th 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 August 27, 2007.

**SUPPORTERS
SAY:**

HB 3107 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, 2007, cash balances in dedicated revenue accounts that exceed amounts appropriated or encumbered be transferred into general revenue and 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, 2007, and HB 3107 would extend this authority for another two years.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The companion bill, SB 1793 by Ogden, has been referred to the Senate Finance Committee.

According to the fiscal note, the fiscal impact of HB 3107 would depend on actions on other legislation by the 80th Legislature.

HB 29 by Berman has been referred to the House State Affairs Committee.

HB 260 by Callegari has been referred to the House Appropriations Committee.

HB 683 by Villareal has been referred to the House Ways and Means Committee.

SB 268 by Patrick has been referred to the Senate Finance Committee.

SB 921 by Ellis has been referred to the Senate State Affairs Committee.