



Center for Public Policy Priorities

THE POLICY PAGE

An Update on State and Federal Action

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WHERE ~~DID~~ WILL THE MONEY GO? A REVENUE PREVIEW

Ignoring the lessons of the current budget struggle, the Legislature continues to contemplate bills that would reduce General Revenue available next session for the 2004-05 budget. Each of these bills has passed either the House or Senate, so has made significant progress toward final enactment. If enacted, the below proposed pieces of legislation could place Texas in another uncomfortably tight fiscal position, where current services are endangered and needed investments postponed again.

Many of these bills are written so that they would have no effect on the budget currently being written in conference committee; their impact would become apparent only in the future—in one case, not until 2008. Some have the “Ellis Amendment” imposed by Senate Finance Committee Chairman Rodney Ellis, which sunsets a bill after two years. These bills would have to be renewed by the 2003 Legislature before they could affect 2004-05 revenue. Others would affect future revenue even after their expiration date. These bills would permit property-tax exemptions or abatements in 2002-03 that would affect state costs in 2004-05 through school-finance formulas that have delayed effects, even though the bill expired at the end of 2003.

This chart lists all bills that would reduce future General Revenue and have passed at least one chamber.

Bill	Description	2004-05 cost	Notes
HB 1200	School-district property-tax abatements	\$51.6 million in 2008; more than \$1 billion in 2008-19, even with 12/31/05 sunset	Abatements granted in 2002 would lock state into payments of \$54.9 million a year for seven years, starting in 2008 due to lags in school-finance formulas. Increasing costs each year thereafter. Latest version would expire 12/31/05.
SB 344	Reduce oil & gas production taxes if oil & gas prices fall below certain levels	Could cut oil taxes by one-half or more, gas taxes by one-third or more	Comptroller forecasts no cost to state, since price expected to stay above trigger levels. Credit not available until 9/1/04; would expire 9/1/06
SB 248	Property tax exemption for leased cars	\$37.4 million	Would take effect 1/1/02 and expire 12/31/03 if not continued. However, any exemptions granted in 2002-03 would lock in a cost in 2004-05 for state reimbursement of school districts, due to lags in school financing formulas
SJR 6	“Freeport exemption”—Proposes a constitutional amendment creating a property tax exemption for certain inventory	\$35.9 million in 2004 alone; no estimate for 2005	Enabling legislation (SB 174) would expire 8/31/03. Cost to state in 2004-05 from exemptions granted in 2002-03.
HB 1694	Property tax exemption for leased cars	\$25.24 million in 2005-06	Cost to state in 2005-06 from exemptions granted in 2002-03.

SB 601	Insurance premium tax credits for certain investments	\$10.4 million	Would take effect only if excess revenue available after comptroller certifies appropriations bill
HB 2686	Increase tax credits for enterprise zone investments	\$6.4 million	\$1.4 million cost in 2002-03
SB 180	Changes distribution of car registration fees and sales taxes	\$2.6 million	\$2.3 million cost in 2002-03
SB 63	Franchise tax credit for hiring certain individuals with disabilities	\$2.4 million	\$506,000 cost in 2002-03
SB 1096	Incentive to bring Breeders' Cup horse race to Texas	\$2.0 million	Divert pari-mutuel taxes from General Revenue to new account for Breeder's Cup
SB 1114	Sales tax exemption for space flight contract with NASA	\$800,000	Would take effect 9/1/03 if approved by 2003 Legislature
SB 857	Sales tax exemption for renewable energy devices	\$77,000	\$1.83 million in 2002-03; would expire 8/31/03.
SB 1678	Sales tax exemption for small faxed or electronic newsletters	\$11,000	\$286,000 in 2003-04; would expire 8/31/03

There are other current statutory provisions that could drain off money that would otherwise remain in the General Revenue Fund at the end of the next biennium. These provisions could reduce the cash surplus that would be available to fund the 2004-05 budget.

For instance, the Education Code, sec. 42.2522, directs that any money that is appropriated to the Foundation School Program in 2003-04, but not needed to fund school-finance formulas, be used to benefit certain school districts that offer the optional percentage homestead exemption. This one obscure provision could reduce GR available for appropriation in 2004-05 by more than \$300 million.

NEXT STEPS

In order to avoid another fiscal squeeze as experienced this session, legislators should carefully evaluate bills that reduce state and local revenue, such as those above. Readers concerned about adequate funding for their programs or local services should contact their representatives and urge them to oppose bills that put at risk Texas' future fiscal stability.

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