
Testimony on the Use of One Time Funding Measures

Use of One-Time Funding. Examine the use of one-time funding and deferral measures employed by the Legislature in the state budget for the 2018-19 biennium, as well as any other factors that may contribute to a structural deficit. Explore strategies to ensure the state's ability to meet its ongoing fiscal obligations.

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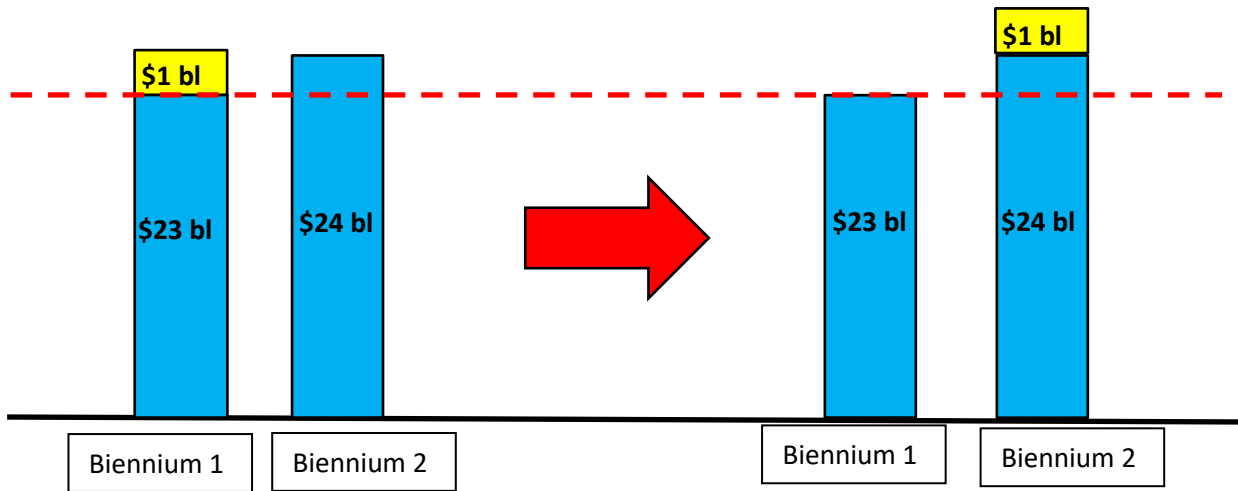
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One-Time Deferrals Cost Twice as Much As What You Save



Texas, as most all states, operates on a cash basis of accounting—meaning the Legislature may spend any unrestricted cash in the general revenue fund. This allows the Legislature to adopt timing measures that generate artificial revenue for certification or reduce cash obligations as a way of balancing the budget.

Texas has a long history of using various one-time funding shifts to either create one-time revenue increase or one-time spending reductions as a tool for balancing the appropriations bill.

A one-time deferral costs twice as much as what you save. In the above example, the state has a budget obligation that costs \$1 billion each month—or \$24 billion for a biennium. Facing a revenue shortfall of \$1 billion in Biennium 1, the state defers the final monthly payment, saving \$1 billion for purposes of certifying the budget. However, in Biennium 2, the state has the normal \$24 billion obligation, PLUS it must repay the \$1 billion payment deferred. The net result is a \$2 billion budget increase over Biennium 1 (the difference between 25 months of payments and 23 months of payments). Even if you redo the deferral in Biennium 2, a \$1 billion increase over Biennium 1 remains.

Examples of One-Time Funding Measures

General Revenue Enhancements

1983 68-R SB 985. Sales Tax Speed-Up. Permanently moved forward the dates for remitting sales taxes from the last day of the following month to the 20th day of the following month. This allowed an additional month of revenue to be processed in 1984.

1989 71-R HB 1356. Fuels tax transfer delay. Delayed the general revenue transfer of motor fuels taxes dedicated to the State Highway Fund (increasing net revenue in the general revenue fund at year's end).

1991 72-1: SB 3. Funds Consolidation: Abolished a number of special state funds, consolidating them into the General Revenue Fund as special accounts. The balances of these accounts create excess cash balances commonly referred to as GRD, or general revenue dedicated accounts.

2017 85-R: SB 1. Unclaimed Property. Comptroller sold accumulated securities, converting them into cash for deposit into general revenue.

2017 85-R: SB 1. Tax Amnesty: Comptroller was instructed to create a tax amnesty program, which will enhance collections of delinquent or unpaid taxes.

Reductions to Spending

1993 73-R: SB 81. ERS Pension Fund. Delayed transfer of state appropriations for the Employees Retirement Pension Fund.

1991 72-1: SB 3. TRS Pension Fund. Delayed transfer of state appropriations to the Teachers Retirement Fund.

2003 78-R HB 3459. Delayed the end-of-biennium August Foundation School Fund Payment until September of the succeeding biennium.

2017 85-1: HB 30. Delayed the end-of-biennium August Medicaid payment(s) until September of the succeeding biennium.

Other

Use of the **Economic Stabilization Fund** is a source of revenue that requires a specific appropriation each time it is tapped.

Though Texas is often blessed with substantial **surpluses of general revenue**, surpluses are technically one-time in nature.

Budget Shifts Between Biennial Budgets

(Figures revised from August 2017 TTARA Research Report)

Measure	Bill Number	2018-19 "Savings"	2020-21 "Cost"	Biennial Shift	Comments
Measures Used to Balance 2018-19 Budget					
Defer Transfer of Sales Tax Revenues Dedicated to the State Highway Fund (revised estimate)	85-R: SB 1 (Article VII, TxDoT Rider 42)	\$1.6 bl	\$1.6 bl	\$3.2 bl	Revised amounts based on certification revenue estimate; higher-than-expected sales tax revenue may reduce the amount of the deferral and shift
Funds/Accounts Consolidation	85-R: HB 3849	\$0.7 bl	\$0.0 bl	\$0.7 bl	Eliminated various dedications of funds within consolidated general revenue accounts
Accelerated Sale of Unclaimed Securities	85-R: SB 1 (Article IX, Rider 17.12)	\$0.5 bl	\$0.0 bl	\$0.5 bl	Comptroller sold unclaimed securities, converting them into cash for deposit into the General Revenue Fund
Delay Payment of August Medicaid Obligation (enacted in 2017 special session)	85-1: HB 30	\$0.6 bl	\$0.6 bl	\$1.2 bl	Bill allows for the deferral of August 2019 Medicaid payments.
Underfunded Medicaid in 2019	85-R: SB 1	\$2.0 bl	n.a.	\$2.0 bl	SB 1 appropriation does not provide funding for certain expected cost increases
New Items for 2020-21					
Motor Vehicle Sales Tax Dedication for Highways (revised estimate)	84-R: SJR 5	n.a.	\$0.1 bl		Current revenue trends suggest substantially lower number than 2015 fiscal note
Increase in the Sales Tax Transfer for Highways (revised estimate)	84-R: SJR 5		\$0.1 bl	\$0.1 bl	Amount based on 2018-19 certification revenue estimate; higher-than-expected sales tax revenue may eliminate any shift
Internet Tax Freedom Act (not included previously)	Federal law	n.a.	\$0.4 bl	\$0.4 bl	Federal law prohibits taxation of Internet access after June 30, 2019
Guaranteed Tuition Plan Shortfall (not included previously)	N.A.	n.a.	\$0.2 bl	\$0.2 bl	Tuition program is projected to be short of available funds