TEXAS PUBLIC POLICY FOUNDATION
BillAnalysis

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Center for Fiscal Policy

Review of Senate Bill 1811

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Review

Last weekend, the Texas House of Representatives passed an amended version of Senate Bill 1811, a fiscal matters bill that is expected to generate billions in "non-tax" revenue to help fund the state's 2012-13 budget. While the bill itself was somewhat controversial, much of the debate surrounding SB 1811 centered on the 95 amendments offered on the bill during floor debate, many of which were adopted.

To help the conferees, the public, and other interested parties get a better sense of what is in the bill, the Foundation below offers a brief overview of SB 1811, some of its adopted amendments, and some potential conference report provisions with the most significance.

Tax Increase Alert

Recently, conferees for SB 1811 adopted a provision to reduce the cigarette stamp discount from 3 percent to 2 percent. The discount is provided to distributors to cover the cost of administrating a costly and time-consuming tax on behalf of the state. By reducing the cigarette tax distributors' discount, lawmakers are raising taxes on these businesses.

Bill language from the Senate Engrossment:

> ARTICLE 12. CIGARETTE TAX STAMPING ALLOWANCE
>
> SECTION 12.01. Subsection (a), Section 154.052, Tax Code, is amended to read as follows:
> (a) A distributor is, subject to the provisions of Section 154.051, entitled to two [three] percent of the face value of stamps purchased as a stamping allowance for providing the service of affixing stamps to cigarette packages, except that an out-of-state distributor is entitled to receive only the same percentage of stamping allowance as that given to Texas distributors doing business in the state of the distributor.
>
> SECTION 12.02. This article applies only to cigarette stamps purchased on or after the effective date of this article. Cigarette stamps purchased before the effective date of this article are governed by the law in effect on the date the cigarette stamps were purchased, and that law is continued in effect for that purpose.

- **Article 3: Section 3.01 & 3.02**—*Verification of Identity and Prevention of Duplicate Participation*

  This section of the bill promises to provide cost savings to the state by requiring the Health and Human Services Commission and certain other entities to use appropriate technologies to verify the identity of a person receiving financial assistance, to prevent duplication of benefits.

- **Article 7: Secs. 7.01 (c) (8) & (d) (3)**—*Certain Foundation School Program Payments*

  This section of the bill delays certain foundation school fund payments from one biennium to the next. This shift of the state's obligation to fund public education reduces spending in the 2012-13 biennium by about $2.2 billion. However, this "one-time funding source" does not address the underlying problem of overspending, and puts taxpayers on the hook for $4.4 billion in future spending.

- **Article 14: Sec. 14.01**—*Obesity Intervention and Prevention Program*

  This section of the bill directs the Comptroller to establish and administer an obesity intervention and prevention grant program and study. The purpose of this amendment is three-fold: Address the economic costs associated with obesity; Promote awareness, especially among school-age children; and Address the disproportionate rate of obesity among low-income populations. The appropriateness of the government creating this program is questionable at any time; certainly this is not the right time to do so.

- **Amendment 5**—*Expanding Fees*

  This amendment as amended expands current or creates new fees, and reduces transparency by requiring that no more than 5 percent of certain fees may be used for the purpose for which they are collected. This is the wrong time to be increasing revenue for the state, and to be reducing transparency.

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- **Amendment 14**—*Elimination of the Wine Marketing Assistance Program*

  This amendment repeals Section 5.56 of Alcoholic Beverage Code, the wine marketing assistance program. A positive move that reduces the size and scope of government.

- **Amendment 45**—*Format of the General Appropriations Bill*

  This amendment as amended is a significant step in making the appropriations process more transparent, and thus in bringing more accountability to government spending. The amendment changes the appropriations bill pattern from strategic funding to program-based funding. This is important because the government spends money on programs, not on strategies. It also requires the appropriations bill to identify the source of funds (General Revenue, Federal Funds, etc.) for each line item appropriation.

- **Amendment 52**—*Prohibition of Implementation of Greenhouse Gas Emissions Regulatory Programs*

  This amendment prohibits state agencies implementing any laws or rules that would regulate the emission of "greenhouse gases," unless the federal government pays for the costs of the program and economic losses to the state caused by any such program. This is an important step in controlling the harmful effects of federal overreach on this issue.

- **Amendment 78**—*Expanding the Definition of "Agricultural Use" for the Purposes of Providing a Tax Exemption*

  This amendment expands the agricultural exemption on land to cover land use for beekeeping. Acreage must total between 5 to 20 acres. While reducing taxes is good, property taxes should be lowered overall, not through special-interest exemptions.

- **Amendment 83**—*Texas Fiscal Stability Commission*

  This amendment creates the Texas Fiscal Stability Commission, a 19-member panel of legislators and appointees whose job it is to provide "recommendations for improving this state's ability to provide a stable, long-term source of revenue for educating the people of this state from pre-kindergarten through higher education while maintaining low state and local tax rates relative to other states and ensuring tax burdens of households and business entities are equitably shared." Texas doesn't need to "improve[e] this state's ability to provide a stable, long-term source of revenue." Rather, it should use its existing infrastructure to examine ways to reduce state spending.

- **Amendment 84**—*General Revenue Attributable Act*

  This amendment requires the Comptroller to determine the amount of general revenue made available through the passage of SB 1811 and transfer any unspent revenue to the Foundation School Program on September 1st of each year. The spending of funds should be made through the general appropriations act, not this bill.

- **Amendment 88**—*Providing an Extension of Certain Provisions for the Margin Tax*

  This amendment extends for margin tax relief for an additional biennium for businesses with income of up to $1 million, going down to $600,000 in January 2014 rather than January 2012. This act only takes effect if SB 1811 results in increased tax revenue generation. This is a positive step toward reducing the tax burden on Texas businesses.

- **Amendment 1, 3rd reading**—*Making Certain Adjustments to Tax Credits for Insurers*

  SB 1811, as filed, eliminated certain tax credits for insurance companies. This amendment restores those credits, but prevents them from being taken during the 2012-13 biennium. While the Foundation opposes any tax increases, this amendment at least eliminates most of the tax increase that was in the original bill. ✯

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