

Truth-In-Budgeting Works Best

Testimony before the House Appropriations Subcommittee on Reducing the Reliance on Dedicated Accounts for Budget Certification

By The Honorable Talmadge Heflin

Chairman Darby, Chairman Raney, and Members of the Committee:

My name is Talmadge Heflin and I am the Director of the Center for Fiscal Policy at the Texas Public Policy Foundation, a non-profit, non-partisan free market think tank based here in Austin. Thank you for taking the time today to investigate such an important matter: reducing the reliance on dedicated accounts for budget certification.

As you may well know, state budget writers have for too long used excess money in dedicated accounts to certify the budget. While this is a dated practice, you may not know the degree to which this troubling practice has grown.

Consider the following:

- In fiscal 2004-05, appropriators had available a total of \$2.1 billion in unspent fee money to certify the budget. The available amount rose 138 percent to \$5 billion last session.¹
- Because of the action taken by the 83rd Legislature, \$4.1 billion in unspent fee money in dedicated accounts was used to certify the 2014-15 budget.²
- The top 10 dedicated account balances available for certification are expected to total \$2.3 billion for fiscal 2014-15, according to the Texas Comptroller of Public Accounts (*see below*). While cutting these largest account balances would be a good start, all accounts large and small should be scrutinized and eventually pared back to amounts that will fund services intended for these funds.

Select Dedicated Accounts, 2014-15

Acct. #	Acct. Name	Est. Revenues and Balances Available for Certification
5071	Emission Reduction Plan	\$992,648,115
0151	Clean Air	\$209,199,753
5128	Employment and Investment Holdings	\$182,430,000
5050	9-1-1 Service Fees	\$177,820,133
0655	Petroleum Storage Tank Remediation	\$144,009,006
5103	TX B-On-Time Student Loan	\$137,545,209
5144	Physician Education Loan Repayment Program	\$120,566,000
5000	Solid Waste Disposal Fees	\$117,649,676
5137	Regional Trauma	\$96,679,000
5111	Designated Trauma Facility and EMS	\$94,917,102

Source: Texas Comptroller of Public Accounts

The widespread use of this practice is a good indication that state budget writers have come to view it as a necessary evil, or worse yet, as an appropriate budgeting tool. But the fact of the matter is that this deceptive budgeting practice is neither neces-

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sary nor appropriate as it keeps spending at artificially raised levels and hides the true cost of government from taxpayers. For these reasons, it is the Foundation's recommendation that the Legislature discontinue this practice.

The passage of House Bill 7 last session was a good step towards achieving this goal. According to the Legislative Budget Board, this law could decrease unspent fees used for certification by \$640.5 million over the next two years. Clearly, there is more to do.

The best way to solve this problem is to cease it altogether. However, given the scale and magnitude of the funds involved, it is understandable if appropriators instead gradually decrease the state's practice until stopping it completely in a timely manner.

This more measured approach—deemed roll, ratchet, and adjust—could look something like the following:

- **Roll** back the level of GR-D funds used to certify the 2016-17 budget to \$700 million less than the current biennium,
- **Ratchet** down the amount of GR-D funds used to certify the budget to zero by the 2020-21 budget, and
- **Adjust** taxes and fees that feed these accounts downward so that excessive balances cease to accumulate.

As examples to accomplish this, you might consider adjusting the following major funding sources of specific accounts to eventually end this practice:

- Emission Reduction Plan Account (No. 5071): 1) Portion of vehicle certificate of title fees; 2) 2 percent fee on sale or lease of off-road diesel equipment; 3) 10 percent commercial vehicle registration surcharge; and 4) \$10 commercial vehicle surcharge.
- Clean Air account (No. 0151): 1) \$2 of a \$12.50 fee for each annual certificate of inspection required of any motor vehicle, motorcycle, trailer, semi-trailer, pole trailer or mobile home; 2) Fee of \$100 for a two-year certificate of appointment to act as an official inspection station; 3) \$40 of a \$50 fee for inspection of commercial motor vehicles; 4) \$4 of an inspection fee of not less than \$21.75 for new cars sold in Texas; and 5) \$10 commercial motor vehicle fee.
- TX B-On-Time Student Loan account (No. 5103): The board of each institution of higher education shall set aside 5 percent of the designated tuition charged a student under Education Code §54.0513 in excess of \$46 per semester credit hour.

It is reasonable to expect the Legislature to provide transparency and accountability of taxpayer dollars so Texans understand the benefits achieved with their money. By enacting these reasonable reforms and ending the practice of using dedicated account balances to certify the budget, the Foundation is confident that transparency in the budgeting process will be alive and well.

Thank you for your time and I look forward to answering any questions that you might have. ★

¹ Legislative Budget Board, "Fiscal Size-Up: 2014-15 Biennium," February 2014 (pg. 5).

² Legislative Budget Board, Testimony before the House Appropriations Subcommittee, May 2014.

