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FISCAL IMPACT REPORT

SPONSOR <u>H AFC</u>	LAST UPDATED <u>2/9/24</u> ORIGINAL DATE <u>2/4/24</u>
SHORT TITLE <u>Gov't Accountability Trust and Fund</u>	BILL NUMBER <u>CS/House Bill 196/HAFCS</u> ANALYST <u>Courtney/Faubion/Torres, Ismael</u>

REVENUE* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
	\$20,500.0	\$15,000.0	Nonrecurring	GRO Trust Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to appropriations in the General Appropriation Act

Sources of Information

LFC Files

SUMMARY

Synopsis of H AFC Substitute of House Bill 196

The House Appropriations and Finance Committee substitute for House Bill 196 (HB196) creates the government results and opportunity (GRO) expendable trust and the government results and opportunity (GRO) program fund. The substitute for HB196, like the original version, changes the overflow mechanism of the general fund operating reserve so that excess revenues are distributed to the government results and opportunity expendable trust instead of the tax stabilization reserve. Furthermore, the H AFC substitute adds the GRO trust to the calculation of state reserves in FY25. Lastly, the H AFC substitute requires the staff of the Legislative Finance Committee (LFC) and the State Budget Division of the Department of Finance and Administration (DFA) to analyze the provisions of the Accountability in Government Act during the 2024 legislative interim to determine if changes could be made to ensure more cost-effective and responsive government services and to report any findings to the LFC before December 15, 2024.

This bill does not contain an effective date and, as a result, would go into effect May 15, 2024, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

This bill creates a new expendable trust and does not provide for continuing appropriations.

Although this bill does not specify future appropriations, it does allow the trust to be expensed over multiple years subject to appropriation from the legislature.

The trust balance will be invested, and all investment revenue will return to the trust. Each fiscal year, 25 percent of the balance of the fund or \$100 million, whichever is greater, will be transferred to the program fund. The balance of the program fund will be available for appropriation by the Legislature. The initial appropriation of \$512.2 million into the trust, as contained in the House Appropriations and Finance Committee (HAF) substitute for House Bill 2, will be expended by FY31 after accounting for investment earnings.

	Beginning Balance	Expected Earnings	Transfer to program fund	Ending balance
FY25	\$512	\$20	\$0	\$532
FY26	\$532	\$15	\$133	\$415
FY27	\$415	\$12	\$104	\$324
FY28	\$324	\$9	\$100	\$233
FY29	\$233	\$5	\$100	\$138
FY30	\$138	\$2	\$100	\$40
FY31	\$40	\$0	\$40	\$0

Note: In millions.

The expected distributions are in addition to any appropriations to the program fund contained in the General Appropriation Act. In the HAF substitute for HB2, an additional \$325.8 million is included for expenditure in FY25 in the program fund, while the trust fund begins distributions in FY26.

If general fund balances are lower than appropriations authorized from the general fund for a fiscal year and the general fund operating reserve has been exhausted, the trust may be used for general appropriations to cover shortfalls in revenues. The GRO trust is included in state reserves in FY25.

The bill shifts surplus revenue, exceeding appropriations, from the general fund operating reserve to the GRO expendable trust instead of the tax stabilization reserve, when certain conditions are met. If the operating reserve exceeds 8 percent of the prior year's appropriations, the excess funds above 8 percent will be transferred to the trust.

SIGNIFICANT ISSUES

Under the Accountability in Government Act (AGA), enacted in 1999, state agencies and the Legislature moved from a budgeting process based on the costs of salaries, supplies, travel, and eight other line items to a process focused on performance. The AGA traded budget flexibility for information about how state agencies economically, efficiently, and effectively carry out their responsibilities and provide services. The purpose of the AGA is to provide for more cost-effective and responsive government services by using the state budget process and defined outputs, outcomes, and performance measures to annually evaluate the performance of state government programs. The Legislature also intended that the AGA be used to keep the public informed on the performance of state government.

This bill tasks LFC and DFA staff to evaluate the AGA over the 2024 legislative interim to determine if changes could be made to ensure more cost-effective and responsive government services. Staff must report any findings to the LFC before December 15, 2024.

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