



# SUNSET ADVISORY COMMISSION

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## Major Fiscal Implications of Sunset Reviews for the 88<sup>th</sup> Legislative Session

The Sunset Commission adopted 235 recommendations related to 21 entities under review this biennium. Overall, the recommendations would result in a cost to the state over the next two fiscal years, due primarily to recommended investments in the Public Utility Commission of Texas and the Texas Juvenile Justice Department so each can better carry out its statutory duties.

The chart below provides an overview of Sunset's recommendations with a potentially significant fiscal impact to the state, with additional detail in the following paragraphs. The exact fiscal impact of many recommendations will depend on each agency's approach to implementation. The entities under review are currently engaging in the state budgeting process and are working with the Legislative Budget Board to determine the associated cost.

### **88<sup>th</sup> Session Sunset Reviews With Fiscal Implications**

Agency	Key Recommendations With Potential Fiscal Impacts
Anatomical Board of the State of Texas (Anatomical Board)	1) Abolish the board and transfer the regulation of whole body donation to the Texas Funeral Service Commission
Texas Commission on Environmental Quality (TCEQ)	1) Improve access to public records 2) Post all permit applications online 3) Improve accessibility and functionality of the agency's website 4) Increase statutory limits on administrative penalties 5) Regularly update compliance history ratings 6) Develop an online system for regulated entities to report continued operations
Texas Juvenile Justice Department (TJJD)	1) Construct two new state secure facilities 2) Increase capacity of facilities operated at the county level 3) Amend Rider 4 for increased flexibility in pay for county-level staff 4) Redirect adequate staffing to implement the regionalization plan
Public Utility Commission of Texas (PUC)	1) Sunset supports PUC's requests for a data analytics team and additional engineering expertise to improve its ability to regulate the electric industry 2) Sunset supports PUC's request for additional appropriations to improve its ability to regulate the water and wastewater industry 3) Develop a plan to improve case data collection and analysis
State Board of Veterinary Medical Examiners (Veterinary Board)	1) Temporarily attach the agency to the Texas Department of Licensing and Regulation (TDLR) 2) Determine database needs, working with TDLR and the Department of Information Resources
Texas Water Development Board (TWDB)	1) Improve the project review process 2) Conduct a feasibility review of certain projects in the state water plan

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## Acting Director

Brian Francis

- **Anatomical Board of the State of Texas.** The Sunset Commission’s recommendation to abolish the Anatomical Board and transfer the regulation of whole body donation to the Texas Funeral Service Commission would significantly increase accountability and effective delivery of these services while also having a positive fiscal impact to the state. Overall, the abolishment and transfer of the board’s functions would result in a one-time gain to the General Revenue Fund. While the Anatomical Board has no staff and does not receive state appropriations, all unexpended and unobligated funds under its management, which totaled about \$548,900 at the end of 2022, would be transferred to general revenue for the purpose of the Texas Funeral Service Commission administering the board’s duties. Additionally, the commission, under its current authority, could charge fees to help cover the cost of the board’s duties, if necessary.
- **Texas Commission on Environmental Quality.** TCEQ has two exceptional item requests in its legislative appropriations request to implement the Sunset recommendations focused on public access to information. These requests were not included in the introduced base budget. TCEQ has requested \$7.2 million over the biennium to improve access to public records and to post all permit applications and materials online. TCEQ has also requested \$6.3 million over the biennium to update the agency’s website to improve accessibility and functionality. Other recommendations could result in a positive or negative fiscal impact depending on the agency’s implementation. For example, the Sunset Commission recommends increasing the statutory limits on many of TCEQ’s administrative penalties from \$25,000 to \$40,000, which could result in positive fiscal impact to the state. The Sunset Commission also recommends TCEQ regularly update compliance history ratings and develop an online system for regulated entities to report continued operations, which may require the agency to develop new software.
- **Texas Juvenile Justice Department.** The Sunset Commission adopted three appropriative recommendations for TJJD with expected fiscal impacts to address the agency’s capacity and staffing shortfalls. The commission requests the House Appropriations Committee and Senate Finance Committee consider appropriating additional funds to TJJD for the construction of two new state secure facilities near population centers. **The introduced base budget includes \$200 million** in fiscal year 2024 **for this purpose.** The commission also requests the committees consider appropriating funds to increase county-level capacity so more youth can remain closer to home. **The introduced base budget allocates an additional \$22 million** across the biennium for local facilities and regional diversion alternatives, which **TJJD could use to implement the recommendation.** The commission also recommends amending TJJD’s Rider 4 to provide greater flexibility for local juvenile probation boards to increase staff pay. The introduced base budget removes the rider, providing the flexibility proposed by the Sunset Commission. Finally, TJJD also has an exceptional item request of approximately \$900,000 across the biennium to fund staff positions to assist with the agency’s probation support duties, which would fulfill the commission’s recommendation to redirect adequate staffing toward implementation of the agency’s regionalization plan.
- **Public Utility Commission of Texas.** The Sunset Commission adopted two appropriative recommendations aimed at helping PUC improve its ability to regulate the electric and water industries. These recommendations request the House Appropriations Committee and Senate Finance Committee consider appropriating PUC its exceptional item requests related to these functions, which were not included in the introduced base budget. To address its lack of independent analysis capabilities needed to effectively regulate the electric market, PUC has an exceptional item request of \$1.9 million across the biennium for a data analytics team and a request of \$2 million across the biennium for additional engineering expertise. PUC is also requesting approximately \$3.5 million across the biennium to help the agency recover its costs to regulate water and wastewater utilities effectively. Finally, given the agency’s resource constraints, the Sunset Commission’s appropriative recommendations may not cover the costs associated with implementing all Sunset recommendations. For example, Sunset’s directive that the agency develop a plan to improve its case data collection and analysis will take staff time and

eventual implementation of the plan could result in additional costs, such as for a true case management system. However, improvements to this core function should increase efficiency in the long term by allowing the agency to identify and eliminate procedural bottlenecks and better allocate staff resources.

- **State Board of Veterinary Medical Examiners.** The Sunset Commission recommends temporarily attaching the Veterinary Board to the Texas Department of Licensing and Regulation (TDLR) for four years to provide the Veterinary Board with administrative oversight, guidance, and support. This recommendation would present a cost to the state, but TDLR has not estimated the exact fiscal implication at this time. The attachment would require additional funding to support TDLR's expanded workload and TDLR would need to be authorized to pay an independent management consultant to assist in administering the Veterinary Board to improve the efficiency and effectiveness of its operations. Other recommendations direct the board to begin activities that could result in future fiscal impacts to the state depending on the board's implementation, such as having the Veterinary Board work with TDLR and the Department of Information Resources to determine its database needs, with the ultimate goal of acquiring and implementing a suitable database at a later time.
- **Texas Water Development Board.** TWDB has an exceptional item request including a project management system that would help implement the Sunset recommendation for the agency to develop a plan to improve its project review process. The standalone cost of this system cannot be estimated by Sunset staff because this request, which is not included in the introduced base budget, also seeks additional funding for targeted salary increases and office space buildout to support the agency's increased workload and responsibilities. The Sunset Commission also recommended the agency conduct a feasibility review of certain projects in the state water plan, which could require additional resources and expertise the agency currently does not have, but the exact fiscal impact would depend on the agency's implementation.

Other entities the Sunset Commission reviewed for the 88<sup>th</sup> Legislative Session should be able to implement Sunset recommendations with existing appropriations. The commission found these entities provide an ongoing benefit to the state and would require continued appropriations as laid out in the introduced budget. These entities include:

- Texas Economic Development and Tourism Office
- Office of the Independent Ombudsman
- Texas Commission on Law Enforcement
- Texas Low-Level Radioactive Waste Disposal Compact
- Office of Public Utility Council
- Texas State Soil and Water Conservation Board
- Texas Invasive Species Coordinating Committee
- Office of State-Federal Relations
- State Water Implementation Fund for Texas Advisory Committee

Additionally, the Sunset Commission reviewed six entities not subject to appropriations — the Electric Reliability Council of Texas, Bandera County River Authority and Groundwater District, Lavaca-Navidad River Authority, San Antonio River Authority, San Jacinto River Authority, and Upper Guadalupe River Authority.