

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 1, 2003**

**TO:** Honorable Jim Keffer, Chair, House Committee on Economic Development

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1233** by Solomons (Relating to the abolition of the Texas Department of Economic Development and the transfer of certain of its functions to the Texas Economic Development Office; and the consolidation of tourism promotion functions by agencies of this state.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1233, As Introduced: a positive impact of \$2,800,000 through the biennium ending August 31, 2005.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$1,400,000
2005	\$1,400,000
2006	\$1,400,000
2007	\$1,400,000
2008	\$1,400,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>HOTEL OCCUP TAX DEPOS ACC 5003</i>	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Change in Number of State Employees from FY 2003
2004	\$602,000	\$798,000	(23.0)
2005	\$602,000	\$798,000	(23.0)
2006	\$602,000	\$798,000	(23.0)
2007	\$602,000	\$798,000	(23.0)
2008	\$602,000	\$798,000	(23.0)

**Fiscal Analysis**

The bill would partially implement recommendation GG 4 from the Comptroller's *e-Texas* report, Limited Government, Unlimited Opportunity. The bill would abolish the Texas Department of Economic Development (TDED) and its nine-member governing board and transfer TDED's primary economic development functions to the newly-created Texas Economic Development Office within the Office of the Governor.

**Methodology**

Abolishing the Department of Economic Development (TDED) governing board would save \$38,700 per year from reduced travel and administration expenses. Half of the savings would consist of

General Revenue and half would consist of General Revenue Hotel Occupancy Tax Deposits.

The bill would require the development of a transition plan for the transfer of programs and functions to the Office of the Governor. The plan must address the effective reconstruction of the Department's mission, strategies, performance measures, functions, and staff. Transferring the functions of TDED to the Office of the Governor would result in a reduction of 23 administrative FTEs and a savings of \$1,310,266 in administration costs. Half of the savings would consist of General Revenue and half would consist of General Revenue Hotel Occupancy Tax Deposits.

The bill would repeal TDED's requirement to maintain and operate an Office of Small Business Assistance resulting in an annual savings of \$111,000 in General Revenue and a reduction of two FTEs. The bill would also repeal provisions requiring TDED to focus its business development efforts on the border region which would save \$59,200 in General Revenue.

TDED, in conjunction with the Attorney General, Comptroller, and Council on Workforce and Economic Competitiveness would no longer have to produce an Annual Report of Tax Incentive and Economic Development Laws of Other States. The bill also repeals the provisions requiring the Department, with the assistance of the Texas-Mexico Commerce and International Relations Initiative Unit, to develop a Texas-Mexico Commerce and International Relations Coordinated Plan. Repealing these functions would result in an estimated annual savings of \$6,000 in General Revenue.

The bill would reduce the number of state entities involved in tourism from eleven to five by prohibiting the Texas Department of Agriculture, Texas A&M University, the Department of Public Safety, the Texas State Preservation Board, the Office of Music, Film, Television and Multimedia, and the Texas General Land Office from promoting tourism, conducting activities related to tourism, or making expenditures related to tourism. The bill would also transfer tourism functions and employees from these six agencies to other state agencies, as determined by the Governor.

If not continued by the legislature, the bill would abolish the Texas Economic Development Office on September 1, 2012.

The bill would take effect September 1, 2003.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 301 Office of the Governor, 305 General Land Office and Veterans' Land Board, 405 Department of Public Safety, 551 Department of Agriculture, 582 Commission on Environmental Quality, 601 Department of Transportation, 802 Parks and Wildlife Department, 808 Historical Commission, 809 Preservation Board, 813 Commission on the Arts, 480 Texas Department of Economic Development, 710 Texas A&M University System Administrative and General Offices

**LBB Staff:** JK, JRO, JO, GO, RT, DE