

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 9, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2391 by Kolkhorst (Relating to the eligibility of certain areas of a municipality or county to participate in certain economic development programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2391, As Introduced: a negative impact of (\$509,000) 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	\$0
2005	(\$509,000)
2006	(\$640,000)
2007	(\$713,000)
2008	(\$804,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2004	\$0
2005	(\$509,000)
2006	(\$640,000)
2007	(\$713,000)
2008	(\$804,000)

Fiscal Analysis

The bill would amend various sections of the Government and Tax Code relating to "areas" (cities, counties, and metropolitan statistical areas) in which 45 percent or more of the workforce is employed by the federal or state government, based on the most recent report by the Texas Workforce Commission.

The provisions of the bill would make those areas eligible to participate in certain economic development programs, including the Texas Enterprise Zone Program and the Texas Capital Fund Program. The Department of Housing and Community Affairs would determine if a person is eligible for an allocation of funds from the Texas Capital Fund. The provisions of the bill would designate those areas as economically depressed or blighted for the purpose of the state purchasing of goods or services.

In addition, the provisions would include those areas in the strategic investment area for the purpose of franchise tax credits.

Methodology

The provisions of the bill would grant the affected areas certain advantages compared to some other areas of the state for winning state purchasing contracts, for establishing enterprise zones, and for allocation of funds from the Texas Capital Fund.

The amendment to Chapter 171 of the Tax Code would provide newly available franchise tax credits to corporations that invest, create jobs, or conduct research and development activities in the affected areas. According to the Comptroller, the fiscal impact of the change was estimated using the population of the affected area compared to the existing population in the Strategic Investment Area and estimates of the value of the franchise tax credits.

Areas meeting the specifications provided in the bill would become part of the Strategic Investment Area designated for calendar 2004. According to the Comptroller, the fiscal impact would occur in franchise tax reports in fiscal 2005.

Based on the analysis of the Texas Department of Housing and Community Affairs, Texas Workforce Commission, and the Comptroller, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

The bill would take effect September 1, 2003, except for the provision that would expand the definition of the strategic area, which would take effect January 1, 2005.

Local Government Impact

The bill only affects Walker County. Because the bill would not have statewide impact on units of local government of the same type or class, no comment from this office is required by the rules of the House/Senate as to its probable fiscal implication on units of local government.

Source Agencies: 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 332 Department of Housing and Community Affairs
LBB Staff: JK, JRO, RT, DE, KG