

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 4, 2003

TO: Honorable Teel Bivins, Chair, Senate Committee on Finance

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB124 by Shapleigh (Relating to the continuance of the Telecommunications Infrastructure Fund Board and the limitation on deposits to the telecommunications infrastructure fund.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB124, As Introduced: a negative impact of (\$5,132,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$788,000)
2005	(\$4,344,000)
2006	(\$5,667,000)
2007	(\$3,489,000)
2008	(\$4,794,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/ (Loss) from <i>TELECOMMUNICATIONS INFRA FUND 8345</i>	Probable Savings/(Cost) from <i>TELECOMMUNICATIONS INFRA FUND 8345</i>
2004	(\$788,000)	\$41,233,000	\$0
2005	(\$4,344,000)	\$212,522,000	(\$2,667,038)
2006	(\$5,667,000)	\$214,311,000	(\$2,719,857)
2007	(\$3,489,000)	\$31,934,000	(\$2,772,675)
2008	(\$4,794,000)	\$0	\$0

Fiscal Analysis

The bill would continue the Telecommunications Infrastructure Fund (TIF) Board until September 1, 2009. The bill would raise the revenue limit for the TIF assessment to \$2 billion.

Methodology

During fiscal year 2004, the TIF will collect \$178 million, at which point the fund will have reached its statutory limit of \$1.5 billion. The bill would raise that limit to \$2 billion, enabling additional revenue in 2004 of approximately \$41 million over what current law would provide. Based on

Comptroller estimates for a full year of TIF assessment revenue, adjusted for growth, the fund will collect an estimated \$212.5 million in 2005, \$214.3 million in 2006, and \$31.9 million during 2007, at which point the TIF will have reached its cap of \$2 billion. It should be noted that these figures do not include any interest that would accrue on TIF fund balances. Although the potential for earned interest is difficult to project, it would likely range between \$5 and \$10 million in 2005 through 2007.

The Comptroller estimates that continuing TIF assessments on telecommunications providers would result in a loss to general revenue tax receipts. This is due to dynamic tax feedback effects created by an increase or decrease to an industry's tax burden. Although the impact of these effects are a general revenue cost to the state, the net impact of the bill is a significant increase in state revenue as a whole.

This fiscal note assumes that the TIF Board will be staffed in 2004 only in order to manage the remaining funds and grants before closing out the agency. The continuation of the fund, and the grants and other expenditures the fund enables, entails the need for full-time equivalents in 2005 through 2007, with the accompanying salary and operating costs. The TIF Board is authorized to cover these costs, estimated to be approximately \$2.7 million per year for 29 positions, with TIF funds. Because the TIF would be projected to collect \$2 billion by the end of 2007, it is assumed the TIF Board would need no administrative appropriations or staff in 2008 or beyond.

Technology

Historically the TIF has been used to fund certain state technology initiatives of benefit to the eligible entities of the fund. It is assumed that this practice would persist with the continuation of the fund, thus potentially defraying costs to general revenue for these initiatives.

Local Government Impact

The eligible entities for TIF grants -- public schools, public libraries, institutions of higher education, and not-for-profit health centers -- would see a substantial increase in technology grant funds for which they could apply.

Source Agencies: 304 Comptroller of Public Accounts, 367 Telecommunications Infrastructure Fund Board

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