LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 19, 2003

TO: Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB275** by Nelson (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 SB275, 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 *HOTEL OCCUP TAX DEPOS ACC* 5003	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1	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 provisions of the bill would abolish the Texas Department of Economic Development (TDED) and its nine-member governing board on September 1, 2003 unless continued by the Legislature. The bill transfers TDED's primary economic development functions to the newly-created Texas Office of Economic Development within the Office of the Governor.

Methodology

Abolishing the 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 provisions of the bill require the development of a transition plan for the transfer of the 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 the requirement that TDED maintain and operate an Office of Small Business Assistance, which would result in an annual savings of $111,000 in General Revenue and a reduction of two FTEs. It would repeal the provision requiring TDED to focus its business development efforts on the border region, which would save $59,200 in General Revenue because the TDED would not have to operate the current Office of Border Initiatives.

The bill would also repeal the requirement that TDED, in conjunction with the attorney general, comptroller, and Council on Workforce and Economic Competitiveness produce an Annual Report of Tax Incentive and Economic Development Laws of Other States. It also repeals the provision that requires 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. This could result in a transfer of $2,150 from the Texas Department of Agriculture from the cost associated with printing the nature tourism guide. In addition, there are approximately 47.1 FTEs, and $2,448,000 in 2004 and $2,598,000 in 2005 associated with tourism functions within the State Preservation Board related to the capitol information and guide service; capitol visitors center; capitol gift shops, and capitol visitors parking facilities. It is assumed these FTEs and funds would be transferred from the State Preservation Board to another state agency.

The Department of Public Safety, Office of Music, Film, Television and Multimedia, Texas A&M University, and Texas General Land Office perform functions that are only indirectly related to tourism. No actual FTEs or funding for these functions would transfer to another agency and there would be no fiscal impact from prohibiting these agencies from engaging in tourism-related activities.

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, 480 Texas Department Of Economic Development, 551 Department Of Agriculture, 582 Commission On Environmental Quality, 601 Department Of Transportation, 710 Texas A&m University System Administration, 802 Parks And Wildlife Department, 808 Historical Commission, 809 Preservation Board, 813 Commission On The Arts
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