

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

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

**March 23, 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. ),  
**Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB275, Committee Report 1st House, Substituted: a positive impact of \$3,055,378 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	\$1,527,689
2005	\$1,527,689
2006	\$1,527,689
2007	\$1,527,689
2008	\$1,527,689

**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	\$925,689	(25.0)
2005	\$602,000	\$925,689	(25.0)
2006	\$602,000	\$925,689	(25.0)
2007	\$602,000	\$925,689	(25.0)
2008	\$602,000	\$925,689	(25.0)

**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. The bill transfers TDED's primary economic development functions to the newly-created Texas Economic Development Office within the Office of the Governor. It also establishes an Aerospace Office within the Office of the Governor and transfers the functions of the Aerospace Commission and its Executive Director to the Aerospace Office.

## 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 bill would require the development of a transition plan for the transferring the programs and functions of the Department of Economic Development 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.

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.

According to the Sunset Commission, the transfer of the Aerospace Commission functions to the new Aerospace Office within the Office of the Governor would save approximately \$127,689 in General Revenue and reduce FTEs by two each fiscal year. This would be as the result of consolidation of staff functions within the Office of the Governor.

The provisions of the bill would abolish the Texas Economic Development Office on September 1, 2015 unless continued by the Legislature.

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, 304 Comptroller of Public Accounts, 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 Administrative and General Offices, 802 Parks and Wildlife Department, 808 Historical Commission, 813 Commission on the Arts

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