

BILL ANALYSIS

H.B. 464
By: Paxton
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Fiscal notes are prepared by the Legislative Budget Board for each bill authorizing or requiring the expenditure or diversion of state funds for a purpose other than one provided for in the general appropriations bill. Using a "dynamic scoring" model to determine the fiscal impact of legislation would expand the range of economic impacts to include the pace of economic growth—that is, estimating the change in the aggregate level of economic output and income. The resulting fiscal note would more accurately estimate the true gain or loss of revenue the state could anticipate resulting from the enactment of legislation.

H.B. 464 requires a dynamic fiscal note to be prepared in addition to the normal fiscal rate, if legislation raises or lowers a tax or fee such that the revenue impact is more than \$100 million during a five-year period.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 464 amends the Government Code to require the Legislative Budget Board to prepare a dynamic fiscal impact statement for each bill or joint resolution in the legislature that raises or lowers the rate or amount of a tax or fee or proposes an amendment to the Texas Constitution that would do so, and for which a fiscal note is prepared indicating a positive or negative impact on revenue of at least \$100 million during a period not to exceed five years. The bill requires a dynamic fiscal impact statement, based on dynamic scoring principles, to project the estimated fiscal and economic impacts of changing the rate or amount of the tax or fee for the five-year period beginning on the proposed effective date of the change. The bill requires the projection to include the impact on tax or fee receipts and the costs of the specific program, if any, that the tax or fee is designed to directly support.

H.B. 464 defines "dynamic scoring principles" as a method of estimating the pace of economic growth or the change in the aggregate level of economic output and incomes, in response to a change in the rate or amount of a tax or fee, that takes into consideration specified factors. The bill specifies that such consideration factors include: the direct impact on tax or fee receipts and, if the tax or fee is designed to directly support a specific program, on program costs; the effects on incentives to work, save, invest, and conduct economic affairs; the resulting change in the overall level of economic activity; the impact of the resulting higher or lower level of economic activity on tax or fee receipts and, if the tax or fee is designed to directly support a specific program, on program costs; and a calculation of the net impact of the legislation proposing the change on the unified budget.

H.B. 464 requires the dynamic fiscal impact statement to be attached to the bill or resolution immediately following the fiscal note. The bill requires the equalized education funding impact

statement to be attached to the bill or resolution immediately following the fiscal note or, if one is prepared, following the dynamic fiscal impact statement.

EFFECTIVE DATE

September 1, 2009.