LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 28, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB4067** by Gonzales (Relating to the creation of the Bureau for Economic Development of the Border Region.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4067, As Passed 2nd House: a negative impact of ($3,451,031) through the biennium ending August 31, 2011.

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
2010	($1,749,340)
2011	($1,701,691)
2012	($1,543,745)
2013	($1,560,800)
2014	($1,539,862)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from *General Revenue Fund* 1	Probable Revenue Gain from *New General Revenue Related - Texas Rural Development Fund*	Probable (Cost) from *New General Revenue Related - Texas Rural Development Fund*	Change in Number of State Employees from FY 2009
2010	($1,749,340)	$1,749,340	($1,749,340)	3.0
2011	($1,754,340)	$1,806,989	($1,754,340)	3.0
2012	($1,540,000)	$1,750,595	($1,754,340)	3.0
2013	($1,540,000)	$1,908,540	($1,929,340)	3.0
2014	($1,540,000)	$2,069,478	($2,069,340)	3.0

Fiscal Analysis

The bill would create the Bureau of Economic Development of the Border Region. The bureau would be a partnership of participating public and private entities administered by a public or private institution of higher education that is designated by the steering committee of the bureau and agrees to serve in that capacity. The steering committee would be comprised of seven members, three members appointed by the administration of the institution of higher education and one member appointed each by the Lieutentant Governor and Speaker of the House. The remaining two members would be the chairperson of the House Committee on Border and Intergovernmental Affairs and the Senate committee to which border affairs are referred. The duties of the bureau would include facilitating research in fields of study affecting the economy in the border region, delivering economic and financial education to persons living in the border region, drafting and submitted reports to advise the legislature about economic development opportunities in the border region and other responsibilities as detailed in the bill. For purposes of this fiscal note it is assumed any costs associated with the bill will be absorbed by the public or private institution that is chosen to administer the bureau.

The bill would also amend the Government Code to create a new Texas Rural Development Fund as an account in the General Revenue Fund and would specify how the account could be used. The bill would establish that sources of funding for the newly created account which would include legislative appropriations and any gifts, grants, donations, and matching funds received by the Office of Rural Community Affairs (ORCA).

The bill would also require ORCA to adopt rules necessary to create and operate the following programs: Rural Entrepreneurship and Business Innovation; Rural Area Regional Planning and Implementation Matching Grant; Rural Capacity and Leadership Enhancement; Rural Community Asset Study Matching Grant; Texas Rural Youth Corps; and Rural Wealth Creation and Retention. The bill would limit uses of the new account to implementing and maintaining programs established by the bill, which would include issuing loans and grants from the account for the purposes of the bill. The bill would establish requirements for issuing the loans and grants.

The bill would make implementation of the program contingent on appropriation of funding by the Legislature and would require ORCA to develop rules for the program no later than March 1, 2010.

If the bill receives a vote of two-thirds of all members in each house, the bill would take effect immediately. If the bill does not receive the vote necessary for immediate effect, the bill would take effect on September 1, 2009.

Methodology

Information provided by ORCA in its Legislative Appropriations Request to the 81st Legislature for the Rurual Development Fund was used for this analysis. Based on the information provided by ORCA, it is assumed:

The agency would require 3.0 FTEs to implement the Rural Development programs. It is assumed costs for salaries and benefits for the additional 3 FTEs would include $153,600 each fiscal year, travel costs of $30,000 in fiscal year 2010 and $35,000 in fiscal year 2011, and other operating expenses for utilities and supplies of $25,740 each fiscal year. This analysis assumes that these administrative costs would be covered by loan repayments and accruing fund balances beginning in fiscal year 2012.

The agency would provide grants in the amount of $770,000 each fiscal year and loans in the amounts of $770,000 each fiscal year that would be supported from General Revenue appropriations made to the new fund. This analysis assumes that adminstrative costs would also be coverd by General Revenue funds in fiscal years 2010 ($209,340) and 2011 ($214,340).

The loans made from the new fund would be for $35,000; include an interest rate of 1 percent; be issued for a 5 year period; and that repayments would be required to start one year after the loan was made. This analysis assumes 22 loans would be issued each year with half of the loans each year being issued every six months with an additional 5 loans being issued in 2013 and another 9 loans being issued in 2014 due to estimated loan repayments.

The new account would retain balances not expended at the end of each fiscal year and that any interest accruing on the balances would be insignificant for the costing purposes of this analysis.

The agency would not provide any rebates to borrowers for fees associated with a commercial bank letter of credit or the borrower's incidental borrowing costs within the first 5 years of the loan program. This analysis also assumes that ORCA would not charge a fee for services provided under the program for the first 5 years.

The legislation would do one or more of the following: create or recreate a dedicated account in the

General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 357 Office of Rural Community Affairs, 710 Texas A&M University System Administrative and General Offices, 758 Texas State University System

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