

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 26, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB231 by Phillips (Relating to the eligibility of property used in connection with certain computer centers for economic benefits authorized by the Texas Economic Development Act.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB231, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

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, Ten-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$0
2014	\$0
2015	(\$1,600,000)
2016	(\$1,700,000)
2017	(\$3,300,000)
2018	(\$5,200,000)
2019	(\$5,100,000)
2020	(\$5,100,000)
2021	(\$5,400,000)

All Funds, Ten-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2012	\$0
2013	\$0
2014	\$0
2015	(\$1,600,000)
2016	(\$1,700,000)
2017	(\$3,300,000)
2018	(\$5,200,000)
2019	(\$5,100,000)
2020	(\$5,100,000)
2021	(\$5,400,000)

Fiscal Analysis

The bill would expand the types of properties eligible for value limitations under Chapter 313, Tax Code, to include computer centers used in connection with financial transactions.

Methodology

Based on available data, the Comptroller's of Public Accounts (CPA) indicates that at least 20 computer centers have located in Texas since 2007. Three of these computer centers are used directly in connection with financial transactions and have exceeded the investment criteria for participation in Tax Code Chapter 313 agreements. For the purpose of this estimate, the CPA assumes that three financial computer centers, either locating or expanding in Texas, would be eligible for a value limitation under Chapter 313, Tax Code, under the bill prior to the 2014 expiration of the program. However, the number of eligible projects, and correspondingly the cost to the state, could vary depending on the future growth rate of the financial industry within Texas.

Tax benefits realized under Chapter 313 agreements in the form of school district levy losses increase state costs under the Foundation School Program (FSP). The estimate of the tax benefits these projects would receive were determined by modeling the projects after existing computer centers with active Chapter 313 agreements in other eligibility categories. Because the first two years of tax benefit flow through a tax credit paid beginning in the fourth year of a project, the impact of statutory changes generally occur after three years.

Assuming three financial computer centers enter into Chapter 313 agreements under the bill, additional state cost to the Foundation School Program of \$1.6 million would be anticipated beginning in fiscal year 2015, increasing to approximately \$5.4 million in fiscal year 2021.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

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