

**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: HB269** by Hilderbran (Relating to the Texas Economic Development Act.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB269, 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	\$0
2016	\$0
2017	\$0
2018	\$0
2019	(\$27,800,000)
2020	(\$62,300,000)
2021	(\$105,200,000)

**All Funds, Ten-Year Impact:**

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Savings/ (Cost) from <i>Foundation School</i> <i>Fund</i> 193	Change in Number of State Employees from FY 2011
2012	(\$609,000)	\$609,000	\$0	6.0
2013	(\$592,000)	\$592,000	\$0	6.0
2014	(\$592,000)	\$592,000	\$0	6.0
2015	(\$592,000)	\$592,000	\$0	6.0
2016	(\$592,000)	\$592,000	\$0	6.0
2017	(\$592,000)	\$592,000	\$0	6.0
2018	(\$592,000)	\$592,000	\$0	6.0
2019	(\$592,000)	\$592,000	(\$27,800,000)	6.0
2020	(\$592,000)	\$592,000	(\$62,300,000)	6.0
2021	(\$592,000)	\$592,000	(\$105,200,000)	6.0

## **Fiscal Analysis**

In addition to implementing recommendations in the report, "Improve the Administration of the Texas Economic Development Act" in the Legislative Budget Board's *Government Effectiveness and Efficiency Report* submitted to the Eighty-second Texas Legislature, 2011, the bill would also extend the value limitation agreement program made available through the Texas Economic Development Act from the current expiration at the end of 2014 until December 31, 2022. Because 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 bill would have negative fiscal implications to the state.

The bill would provide that the Comptroller of Public Accounts (CPA), rather than school districts, would be a party to agreements for value limitation under the Texas Economic Development Act. The bill would require the CPA to evaluate certain criteria for the purposes of the economic impact evaluation of proposed projects, and to make a determination on the project rather than a recommendation as required under current law. The bill would transfer fee authority from school districts to the CPA for the administration of the Texas Economic Development Act.

## **Methodology**

The shift of Texas Economic Development Act responsibilities and duties from school districts to the CPA throughout the bill would increase the Comptroller's administrative costs related to future agreements. The CPA estimates the administrative cost associated with the bill would include hiring 6 FTEs in fiscal year 2012 to handle duties associated with calculation, collection, application processing, and delivery of revenue protection funds for school districts. It is assumed that costs associated with these additional responsibilities would be offset by fee revenue collected from applicants to the program.

For the purpose of this estimate, the CPA has assumed participation in the program at a rate of 20 new agreements per year in each year of the extension. Of the 20 new agreements assumed for each year, 13 were modeled as renewable energy projects, and seven were modeled as manufacturing projects. The CPA derived average investment and taxable value estimates from nine years of data for existing Chapter 313 agreements. Different distributions of project investment amounts and locations would result in different estimated school district Maintenance and Operations (M&O) property tax levy losses. The estimate assumes no significant avoidance of wage and job requirements through the hiring of contract personnel.

The proposed extension of Chapter 313 provisions would continue to authorize the review and approval of agreements in tax years 2015 through 2022. Under the bill, the school district levy loss for a project approved in tax year 2015—beginning in tax year 2016—would not start until tax year 2018, with associated state impact beginning in fiscal year 2019. Additional cost to the Foundation School Program under this estimate would be approximately \$27.8 million in fiscal year 2019 increasing to \$105.2 million in fiscal year 2021.

## **Local Government Impact**

Administrative costs for participating school districts may decrease as a result of the shift of Texas Economic Development Act responsibilities and duties from school districts to the CPA.

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

**LBB Staff:** JOB, KK, JI, JJ