

**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: HB1532** by Eiland (Relating to the expiration of certain parts of the Texas Economic Development Act.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1532, 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	(\$224,000)
2016	(\$213,000)
2017	(\$213,000)
2018	(\$213,000)
2019	(\$28,013,000)
2020	(\$62,513,000)
2021	(\$105,413,000)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Change in Number of State Employees from FY 2011
2012	\$0	\$0	0.0
2013	\$0	\$0	0.0
2014	\$0	\$0	0.0
2015	(\$224,000)	\$0	2.0
2016	(\$213,000)	\$0	2.0
2017	(\$213,000)	\$0	2.0
2018	(\$213,000)	\$0	2.0
2019	(\$213,000)	(\$27,800,000)	2.0
2020	(\$213,000)	(\$62,300,000)	2.0
2021	(\$213,000)	(\$105,200,000)	2.0

## **Fiscal Analysis**

The bill would amend Chapter 313, Tax Code, to 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, 2024. 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.

## **Methodology**

For the purpose of this estimate, the Comptroller of Public Accounts (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 2024. 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.

The CPA estimates that it would be necessary to hire 2 FTEs beginning in fiscal year 2015 to process applications, conduct economic impact evaluations, and to collect and analyze data on the increased number of projects in the program.

## **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

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