

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 27, 2011

TO: Honorable John Davis, Chair, House Committee on Economic & Small Business Development

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

IN RE: HB2493 by Torres (Relating to authorizing enterprise project half designations and quarter designations under the enterprise zone program.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2493, Committee Report 1st House, Substituted: a negative impact of (\$996,000) through the biennium ending August 31, 2013.

Because each project with a fractional designation can receive up to the maximum amount a full project can receive, the amount refunded each year can substantially exceed the amount refunded under current law. Therefore, a revenue loss to the state cannot be determined but could be significantly negative.

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
2012	(\$507,000)
2013	(\$489,000)
2014	(\$489,000)
2015	(\$489,000)
2016	(\$489,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2011
2012	(\$507,000)	6.0
2013	(\$489,000)	6.0
2014	(\$489,000)	6.0
2015	(\$489,000)	6.0
2016	(\$489,000)	6.0

Fiscal Analysis

The bill would amend the Government and Tax Codes relating to the enterprise zone program.

The bill would define a "Full Enterprise Project" as a project that is allocated more than 250 jobs for benefit, a "Half Enterprise Project" as a project that is allocated at least 126 jobs but not more than 250 jobs for benefit, and a "Quarter Enterprise Project" as a project that is allocated not more than 125 jobs

for benefit. Each of these designations would count against the maximum total of 105 enterprise projects allowed during any biennium according to its size.

The bill would provide that a project that is considered a double jumbo enterprise project, as defined by Chapter 2303 of the Government Code, would count as two full enterprise projects against the total allowed. A triple jumbo project, as defined by Chapter 2303, would count as three full enterprise projects against the total allowed. Under the provisions of the bill, a double or triple jumbo project may be split into two half designations or four quarter designations. The maximum tax refunds would be divided accordingly.

The bill would amend Chapter 2303 of the Government Code to set different maximum refunds to be paid to certain full enterprise projects, double jumbo enterprise projects, and triple jumbo enterprise projects, based on the number of jobs each project created. A project creating 250 jobs would receive half of the refund a project creating 500 jobs would receive. The bill would make conforming changes to the Tax Code.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2011.

Methodology

The GR cost estimate in the above table reflects the funds that would be necessary for the Comptroller's Office to hire 6 FTEs for fiscal year 2012-2016 to handle the increased workload of enterprise zone refund verifications for implementation of the bill.

The bill would not change the total number of enterprise projects that could be designated in any biennium, but does provide for fractional designations. With respect to double jumbo and triple jumbo projects, the bill does not change the annual maximum refund that could be paid under Section 2303.4071 of the Government Code for projects divided into half- or quarter-designations—each half-designation could receive no more than half the maximum for an undivided jumbo project, and each quarter-designation could receive no more than one-fourth the maximum for an undivided jumbo project.

However, with respect to enterprise projects subject to Section 2303.407(b)(1)-(4) of the Government Code that are subject to the annual maximum refund under Section 2303.407(a), the bill does not amend Section 2303.407 to reduce the maximum proportionally for projects receiving only half- or quarter-designations. The result could be construed to mean that each enterprise project, whether designated full, half, or quarter, is individually subject to the maximum under Section 2303.4071(a). If each project with a fractional designation can receive up to that maximum, the amount refunded each year can substantially exceed the amount refunded under current law. Therefore, the fiscal implications cannot be determined but could be significantly negative.

Local Government Impact

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

Source Agencies: 300 Trusteed Programs Within the Office of the Governor, 301 Office of the Governor, 304 Comptroller of Public Accounts

LBB Staff: JOB, AG, SD, KK