

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 20, 2011

TO: Honorable Mike Jackson, Chair, Senate Committee on Economic Development

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

IN RE: SB2 by Jackson (Relating to certain economic and workforce development programs through which employers may receive grants and subsidies.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2, As Introduced: a negative impact of (\$5,446,930) 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, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	(\$5,233,692)
2013	(\$213,238)
2014	(\$5,213,238)
2015	\$213,238
2016	(\$5,213,238)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2011
2012	(\$5,233,692)	3.0
2013	(\$213,238)	3.0
2014	(\$5,213,238)	3.0
2015	\$213,238	3.0
2016	(\$5,213,238)	3.0

Fiscal Analysis

The bill would amend the Government Code relating to the Texas Back to Work Initiative and the Skills Development Fund and would require the Governor to transfer money from the Texas Enterprise Fund (TEF) to the Texas Back To Work initiative and the Skills Development Fund administered by the Texas Workforce Commission upon an appropriation made by the Legislature. The bill would also recreate the Skills Development Fund established under the Labor Code, Section 303.003.

The bill also directs the Truited Programs within the Office of the Governor to create the Public-Private Competitiveness Initiative for Industry Clusters and provide matching grants to local entities, institutions of higher education, and businesses. The amount of matching grants from the state may not exceed \$1 for every \$5 obtained by the applicant from other sources. No later than January 1 of each

odd-numbered year the Trusteed Programs within the Office of the Governor would be required to submit a report to the legislature detailing the activities of the initiative program.

The Texas Workforce Commission (TWC) would also be required, under provisions of the bill, to allocate funding from the Skills Development Fund to businesses with fewer than 100 employees that partner with an entity that provides job training skills to the business's employees. In addition, the Texas Back to Work Program would be formally established at TWC in order to establish public-private partnerships with employers to hire qualified applicants who are unemployed at the time of hire.

Methodology

Relating to the transfer of Texas Enterprise Fund (TEF) appropriations to the Texas Back To Work initiative and the Skills Development Fund administered by the Texas Workforce Commission upon an appropriation made by the Legislature, it is assumed that the intent of the bill would be to restore program funding to the level included in Senate Bill 1, 81st Legislature, Regular Session with TEF funding instead of General Revenue. Therefore, there would be no fiscal impact related to this provision.

The Governor's office has indicated that the Public-Private Competitiveness Initiative for Industry Clusters grant program, which would provide matching grants to local entities, institutions of higher education, and businesses, would cost approximately \$5 million for the biennium out of the General revenue Fund and assumes that local entities and businesses would raise \$25 million in matching funds. In addition, the Governor's Office indicates that it would require an additional 3 Full Time Equivalent (FTEs) for administration of the new program. This analysis assumes that \$152,000 each fiscal year out of the General Revenue Fund would be required for salaries. Benefit costs associated with those additional FTEs would total \$42,347 each fiscal year out of the General revenue Fund. Operating expenses would total \$33,345 in fiscal year 2012, including one-time startup costs, and \$12,891 each remaining fiscal year out of the General Revenue Fund. Travel expenses would total \$6,000 each fiscal year out of the General Revenue Fund.

Based on information provided by the TWC, this analysis assumes that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

This 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

A county or municipality could be eligible for a matching grant not to exceed \$1 for every \$5 of other funding obtained for a proposed industry cluster organization. The amount of grant funding received by a county or municipality would depend on the amount of funding received from other sources and the matching rate of an awarded grant.

Source Agencies: 300 Trusteed Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission

LBB Staff: JOB, AG, MS, JM, KKR, NV