

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 3, 2013

TO: Honorable Bob Deuell, Chair, Senate Committee on Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1642 by Deuell (Relating to the number of enterprise projects the Texas Economic Development Bank may designate under the enterprise zone program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1642, As Introduced: a negative impact of (\$8,600,000) through the biennium ending August 31, 2015.

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
2014	\$0
2015	(\$8,600,000)
2016	(\$17,100,000)
2017	(\$25,700,000)
2018	(\$34,100,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable Revenue Gain from Economic Development Bank 5106
2014	\$0	\$0
2015	(\$8,600,000)	\$258,000
2016	(\$17,100,000)	\$513,000
2017	(\$25,700,000)	\$771,000
2018	(\$34,100,000)	\$1,023,000

Fiscal Analysis

This bill would amend the Government Code to increase the number of enterprise zone projects the Texas Economic Development Bank can designate in each biennium from 105 to 210.

This bill would take effect immediately if it receives a vote of two-thirds of each house; otherwise, it would take effect on September 1, 2013.

Methodology

The Office of the Governor estimates that increasing the number of enterprise zone projects that can be designated could result in an increase in potential deposits to General Revenue-Dedicated Economic Development Bank Account No. 5106 (GR-D 5106). Three percent of sales tax refunds related to enterprise zone projects are deposited into GR-D 5106 for administrative costs. The related deposits to GR-D 5106, according to the Comptroller's estimate of related state sales tax refunds, would be \$258,000 in fiscal year 2015, \$513,000 in fiscal year 2016, \$771,000 in fiscal year 2017, and \$1,023,000 in fiscal year 2018.

The Office of the Governor also indicates that the increase in designations would result in an increase in applications for designation, requiring a minimal cost, which Legislative Budget Board (LBB) staff estimates could be implemented within existing resources.

The Comptroller estimates the maximum allowable new designations will be made each fiscal year at a cap of \$250,000 in sales tax refunds each fiscal year. The Comptroller assumes that each enterprise zone project will consume 65 percent of the allowable cap each fiscal year, and that half of the allowable designations will be made each fiscal year. The Comptroller also indicates that the additional refunds would not take place until a year after the designations are made. This would result in state sales tax refunds of approximately \$0 in fiscal year 2014, \$8.6 million in fiscal year 2015, \$17.1 million in fiscal year 2016, \$25.7 million in fiscal year 2017, and \$34.1 million in fiscal year 2018.

The Comptroller also indicates it would require additional resources for additional audits of Enterprise Zone Refunds; however, LBB staff estimates the additional costs could be implemented within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts

LBB Staff: UP, RB, EP, CK