

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 2015

TO: Honorable Angie Chen Button, Chair, House Committee on Economic & Small Business Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB26 by Button (Relating to state economic development measures, including administration of the Texas Enterprise Fund, creation of the Economic Incentive Oversight Board and the governor's university research initiative, abolishment of the Texas emerging technology fund and certain programs administered by the Texas Economic Development Bank, and renaming the Major Events trust fund to the Major Events Reimbursement Program.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB26, Committee Report 1st House, Substituted: a positive impact of \$846,024 through the biennium ending August 31, 2017.

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
2016	\$846,024
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Emerging Technology 5124	Probable Savings/(Cost) from Texas Treasury Safekeeping Trust Company
2016	\$91,464,024	(\$90,618,000)	(\$90,618,000)	(\$9,136,100)
2017	\$0	\$0	\$0	(\$606,100)
2018	\$0	\$0	\$0	(\$6,706,100)
2019	\$0	\$0	\$0	(\$606,100)
2020	\$0	\$0	\$0	(\$962,087)

Fiscal Year	Probable Revenue Gain/(Loss) from Texas Treasury Safekeeping Trust Company	Change in Number of State Employees from FY 2015
2016	\$9,136,100	(5.0)
2017	\$606,100	(5.0)
2018	\$6,706,100	(5.0)
2019	\$606,100	(5.0)
2020	\$962,087	(5.0)

Fiscal Analysis

The bill amends Government Code to add University Research Development grants that receive matching funds from the institution and additional private funding, to the eligible uses for the Texas Enterprise Fund. The bill would amend Government Code to shorten the approval period for a proposal for a grant from the Texas Enterprise Fund.

The bill would abolish the Emerging Technology Fund (ETF) and transfer management of the ETF portfolio to the Texas Treasury Safekeeping Trust Company (TTSTC) with proceeds used for portfolio management and any excess deposited into General Revenue. The bill would allow the unencumbered balances of the ETF to be appropriated only to: the Texas Research Incentive Program (TRIP); the Texas Research University Fund; the Governor's Research Initiative Fund; and to the Comptroller for expenses incurred in managing the investment portfolio in connection with awards from the former ETF. Although the ETF would be abolished effective September 1, 2015, agreements in place before that date would not be affected. All money in the fund on that date and received in the future would be deposited to General Revenue, except for money obligated for existing agreements and money deposited in the fund as a gift, grant or donation under specific terms of use.

The bill would create the Economic Incentive Oversight Board that, for certain incentive awards, would be required to: review the effectiveness of certain programs and funds to business entities and other persons; evaluate the benefits and costs to the state, local governments and residents of the state from the economic development activity; develop a schedule for periodic review of certain state incentive programs; and make recommendations for audits to the Legislative Audit Committee. The bill would require an annual report from the Board. The board would be entitled to reimbursements for certain expenses. The Governor's office would be required to provide administrative support and staff to the board.

The bill would require the Department of Information Resources (DIR) to develop through the

state electronic internet portal (currently administered as Texas.gov) a website for use by businesses that are considering relocating to or expanding in Texas to receive information relating to state monetary and tax incentives and to apply for those incentives.

The bill would abolish the Linked Deposit and the Texas Small Business Industrial Development Corporation programs. The bill would transfer all revenue or other money from the Texas Small Business Industrial Development Corporation to General Revenue.

The bill would amend Education Code to create the Governor's University Research Initiative administered by the Texas Economic Development and Tourism Office within the Office of the Governor to award matching grants to eligible institutions. The bill would define the program and grant process, direct the creation of an advisory board, and define the funding source and the uses of the Fund. The bill would abolish regional centers of innovation and commercialization.

The bill 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 the bill would be subject to funds consolidation review by the current Legislature.

The bill would amend Vernon's Texas Civil Statutes, to change the name of the Major Events Trust Fund (METF) to the Major Events Reimbursement Program (MERP).

The bill would take effect September 1, 2015.

Methodology

Using the Comptroller of Public Account's (CPA) Biennial Revenue Estimate, \$90.6 million in unexpended balances would be available to be appropriated to: the Texas Research Incentive Program (TRIP); the Texas Research University Fund; the Governor's Research Initiative Fund; and to the Comptroller for expenses incurred in managing the investment portfolio in connection with awards from the former ETF. As the bill does not require certain percentages of distribution, it is assumed the an undetermined amount would be appropriated to the new General Revenue - Dedicated Governor's Research Initiative Fund and the remaining amount would be available for appropriation by the legislature to the Texas Research Incentive Program (TRIP); the Texas Research University Fund appropriated, and the CPA.

The Office of the Governor reports that the administrative provisions of the bill will require 2 FTEs, the cost of which can be absorbed within existing resources. The ETF currently is administered by 7 FTEs, for a net reduction of 5 FTEs.

It is assumed that on-going revenues from investments in entities that received Emerging Technology Funds, estimated by the Office of the Governor to be \$9.1 million in 2016, \$0.6 million in 2017 \$6.7 million in 2018, \$0.6 million in 2019 and \$1.0 million in 2020, would be used by the Texas Treasury Safekeeping Trust Company (TTSTC) and the CPA for expenses incurred in managing the investment portfolio in connection with awards from the former ETF.

DIR estimates that there would be an indeterminate cost for the vendor operating Texas.gov to develop the economic development incentives interactive application system. DIR estimates a minimal impact to both state agencies that would use the system to receive applications and to the General Revenue Fund as a result of the current Texas.gov revenue-sharing arrangement between the state and Texas.gov.

Based on provisions of this bill, fees generated by the Texas Small Business Industrial Development Corporation under Chapter 503, Local Government Code, and deposited outside the state Treasury would be transferred to General Revenue. The Governor's office estimates these fees to be \$846,024.

Local Government Impact

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

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 313 Department of Information Resources

LBB Staff: UP, CL, EP, LBe