

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 2, 2015**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB27** by Button (Relating to state economic development measures, including administration of the Texas Enterprise Fund, the abolishment of the Texas emerging technology fund, and the disposition of balances from the Texas emerging technology fund.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB27, As Introduced: a positive impact of \$9,742,200 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	\$9,136,100
2017	\$606,100
2018	\$6,706,100
2019	\$606,100
2020	\$962,087

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Emerging Technology</i> 5124
2016	(\$90,618,000)	\$99,754,100	(\$90,618,000)
2017	\$0	\$606,100	\$0
2018	\$0	\$6,706,100	\$0
2019	\$0	\$606,100	\$0
2020	\$0	\$962,087	\$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 require a certain percentage of the Texas Enterprise Fund be distributed to the small businesses and for University Research Development grants.

The bill would abolish the Emerging Technology Fund (ETF) and transfer management of the ETF portfolio to the Texas Treasury Safekeeping Trust company with proceeds deposited into General Revenue. The bill would transfer 50 percent of the unencumbered balance of the fund to the Texas Research Initiative Program and 50 percent to the Skills Development Fund Program. 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.

### **Methodology**

Based on estimates from the Governor's Office \$53 million in unexpended balances in the Texas Enterprise Fund would be available in fiscal year 2016. Of this amount, 20 percent or \$10.6 million would be available for certain grants to small businesses, and 15 percent or \$7.95 million would be available for University Research Development grants. Since the bill caps the amount available for these grant programs out of an existing incentive program, we assume that the grants awards would be redistributed among eligible grant recipients accordingly.

Using the Comptroller of Public Account's (CPA) Biennial Revenue Estimate, \$90.6 million in unexpended balances would be transferred from the General Revenue - Dedicated Emerging Technology Fund Account No. 5124 to General Revenue; it is assumed this revenue gain to GR would then be distributed via an appropriation to the Texas Research Incentive Program and the Skills Development Fund.

The Office of the Governor indicates there would be on-going revenues from investments in entities that received Emerging Technology Funds of \$9,136,100 in 2016, \$606,100 in 2017 \$6,706,100 in 2018, \$606,100 in 2019 and \$962,087 in 2020 that would be deposited to General Revenue.

### **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

**LBB Staff:** UP, CL, EP, LBe