

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

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

**March 18, 2015**

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

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

**IN RE: HB1156** by Alvarado (Relating to the establishment of an electronic information and application system for state and local incentives for economic development purposes.),  
**As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1156, As Introduced: a positive impact of \$2,133,334 through the biennium ending August 31, 2017. The estimated General Revenue gain assumes current revenue-sharing practices applied to services offered through the state electronic internet portal would also apply to the proposed economic development incentives information and application system created by the legislation.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2016	\$1,066,667
2017	\$1,066,667
2018	\$1,066,667
2019	\$1,066,667
2020	\$1,066,667

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

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from General Revenue Fund 1</b>
2016	\$1,066,667
2017	\$1,066,667
2018	\$1,066,667
2019	\$1,066,667
2020	\$1,066,667

**Fiscal Analysis**

The bill would amend Subtitle G, Title 10, Government Code to add a new chapter establishing an electronic economic development incentives information and application system (system).

The bill would require the Department of Information Resources (DIR) to develop through the state electronic internet portal a website for use by businesses that are considering relocating to or expanding in Texas to receive information relating to state and local government monetary and tax incentives for which they may qualify. The bill specifies that the website include an interactive tool which would allow a business to determine their eligibility for any state or local incentive and to receive an estimate of the incentives for which they may qualify. The bill specifies that, when feasible, the website would provide for a single application that the business would use to apply for all state and local incentives for which it may be eligible and for that application to be submitted to each state agency and local government that offers the incentives.

The bill would require DIR, in coordination with the Comptroller of Public Accounts and the Governor's Texas Economic Development and Tourism Office and with the assistance of local government officials, to direct, coordinate, and assist state agencies and local governments in establishing and using a common application and reporting system and in establishing and using a process for improving interagency and intergovernmental data sharing and for improving applications received for incentives.

### **Methodology**

Currently, the state electronic internet portal is implemented as the Texas.gov website. Texas.gov is operated by a third-party vendor under a public-private partnership and is funded through service and transaction revenue from services provided through Texas.gov. The revenue is shared between the vendor (60 percent) and the state's General Revenue Fund (40 percent).

DIR has indicated that based on the complexity, scope, and stakeholder engagement required for similar projects and based on estimates from the Texas.gov vendor, the cost of the vendor to develop the incentives application system website would be \$5,000,000 in fiscal year 2016 and \$750,000 in each fiscal year thereafter for the systems maintenance. This analysis assumes that the vendor would recuperate the system development and maintenance costs over a five year period from fiscal years 2016 through 2020 at a total cost of \$8,000,000. Over the same five year period, this would equate to \$1,600,000 per fiscal year for the system alone. Assuming that the current revenue-sharing contract provision between the state and Texas.gov vendor would apply to this project, the cost would increase by 40 percent or to \$2,666,667 per fiscal year with \$1,600,000 or 60 percent for the vendor for the system's development and operation and \$1,066,667 or 40 percent deposited to General Revenue.

Assuming that 2,000 local and state entities participate or use the system, the fee to cover the cost of both the vendor and state share would equal to approximately \$1,333 per fiscal year per entity. The amount charged to each entity would vary base on participants.

In the event that DIR's board adopts a fee structure which does not include a state share, the gains to General Revenue indicated in the tables above would not be realized.

## **Local Government Impact**

According to the Department of Information Resources, there may be a cost to approximately 2,000 local governments through a fee assessed for the incentives application system project, estimated to be \$1,333 per entity per fiscal year.

**Source Agencies:** 301 Office of the Governor, 304 Comptroller of Public Accounts, 313 Department of Information Resources

**LBB Staff:** UP, CL, EP, LCO, SD, LBe, KVe, RC