

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 13, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2709 by Geren (relating to the eligibility of property used for a large data center project for ad valorem tax benefits under the Texas Economic Development Act.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB2709, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2017.

However, there would be costs to the Foundation School Fund beginning in 2020.

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, Ten-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	(\$4,500,000)
2021	(\$4,000,000)
2022	(\$3,500,000)
2023	(\$9,300,000)
2024	(\$8,200,000)
2025	(\$7,200,000)

All Funds, Ten-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue (Loss) from School Districts
2016	\$0	\$0
2017	\$0	\$0
2018	\$0	\$0
2019	\$0	(\$4,370,000)
2020	(\$4,500,000)	(\$3,850,000)
2021	(\$4,000,000)	(\$3,330,000)
2022	(\$3,500,000)	(\$8,740,000)
2023	(\$9,300,000)	(\$7,700,000)
2024	(\$8,200,000)	(\$6,660,000)
2025	(\$7,200,000)	(\$8,740,000)

Fiscal Analysis

The bill would amend Chapter 313 of the Tax Code, regarding the Texas Economic Development Act.

The bill would amend Section 313.021(2) to specify that certain property replacing qualified property whose useful life is less than five years would be eligible for the tax limitation under this chapter.

The bill would amend Section 313.024(b) to make certain large data center projects, as defined in Section 151.3595 of this code, eligible for school property tax value limitations under this chapter.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2015.

Methodology

The large data center project definition in Section 313.024(b) as amended by this bill references the definition of such a center in Section 151.3595 of the Tax Code, which does not exist in current law. That definition in 151.3595 would be added in legislation being considered at the current time.

If other bills filed this legislative session (HB 2712 and SB 1104) related to sales tax exemptions for "large data centers" become law, there would be a significant state fiscal impact through Chapter 313, as large data centers would then become eligible for property tax limitations under the chapter.

The table above provides an estimate of the first 10 years of school levy losses anticipated to result from the added eligibility of two large data centers before the expiration of this chapter (December 31, 2022) should the other filed bills related to sales tax exemptions for "large data centers" become law. The school district levy losses shown in the table above would result in a state cost of a similar magnitude in the following fiscal year through the Foundation School Program.

Local Government Impact

School districts entering into Chapter 313 agreements would benefit from additional Foundation School Program state aid or reductions in recapture corresponding to losses in local M&O revenue resulting from the limitation on taxable value of affected property. Estimated losses in local M&O revenue are noted in the tables above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS, JSp