

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 24, 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 large data center projects for ad valorem tax benefits under the Texas Economic Development Act.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2709, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

However, there would be costs to the Foundation School Fund beginning in 2019.

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	(\$2,400,000)
2020	(\$4,200,000)
2021	(\$5,500,000)
2022	(\$7,900,000)
2023	(\$9,700,000)
2024	(\$8,600,000)
2025	(\$9,100,000)

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	(\$2,300,000)
2019	(\$2,400,000)	(\$4,100,000)
2020	(\$4,200,000)	(\$5,300,000)
2021	(\$5,500,000)	(\$7,600,000)
2022	(\$7,900,000)	(\$9,400,000)
2023	(\$9,700,000)	(\$8,300,000)
2024	(\$8,600,000)	(\$8,800,000)
2025	(\$9,100,000)	(\$9,400,000)

Fiscal Analysis

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

The bill would amend Section 313.024(b) to make certain large data center projects, as defined in Section 151.3595(d)(2)(B) Tax Code, eligible for school property tax value limitations. The bill would amend Section 313.024(e) to elaborate on the definition created in Section 313.024(b).

The bill would take effect September 1, 2015 or immediately upon enactment by a two-thirds vote in each chamber.

Methodology

The large data center project definition in Section 313.024(b) as amended by this bill references Section 151.3595(d)(2)(B) Tax Code, which does not exist in current law. The definition in proposed Section 151.3595 Tax Code is contained in separate legislation that is currently under consideration. If, however, the referenced definition does not become law, the definition remaining in proposed Section 313.024(e) under this bill would be operative with the effect that the fiscal implications contained in this estimate would be significantly larger.

The table above provides an estimate of the first 10 years of school levy losses anticipated to result from the added eligibility of large data centers under this chapter. For the purpose of this estimate, the definition of large data center project is assumed to conform to that contemplated in proposed 151.3595 Tax Code. 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