

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 27, 2017

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1003** by Capriglione (Relating to investment of public funds, including certain expenditures by public institutions of higher education and university systems that are eligible for certain tax credits.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1003, Conference Committee Report: a negative impact of (\$2,000,000) through the biennium ending August 31, 2019.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$2,000,000) for the 2018-19 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.

The fiscal implications of provisions of the bill related to authorizing eligible entities to expand investment options, including investing in hedging contracts and insurance agreements, cannot be determined. Depending upon the investment decisions that would be made by eligible entities, there could be an indeterminate financial impact to the state.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$1,000,000)
2019	(\$1,000,000)
2020	(\$1,000,000)
2021	(\$1,000,000)
2022	(\$1,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Foundation School Fund</i> 193	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304
2018	(\$750,000)	(\$250,000)	(\$1,000,000)
2019	(\$750,000)	(\$250,000)	(\$1,000,000)
2020	(\$750,000)	(\$250,000)	(\$1,000,000)
2021	(\$750,000)	(\$250,000)	(\$1,000,000)
2022	(\$750,000)	(\$250,000)	(\$1,000,000)

Fiscal Analysis

The bill would amend Chapter 2256 of the Government Code, regarding public funds investment. The bill would authorize certain governmental entities to invest public funds in interest bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund. The bill would authorize certain governmental entities to invest in hedging contracts and insurance agreements. The bill would specify that to maintain eligibility to receive funds from and invest funds on behalf of an entity under Chapter 2256, an investment pool must furnish to the investment officer of the entity the pool's policy regarding holding deposits in cash. The bill would modify criteria for determining if the chapter applies to an institution of higher education.

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to expand the historic structure franchise tax credit to include public universities and university systems. The amendment to Chapter 171 of the Tax Code would expire on January 1, 2022.

Methodology

Because the financial impact of investment decisions authorized by the bill is unknown, the fiscal impact to state agencies from those provisions is unknown.

According to the Comptroller of Public Accounts, expanding the historic structure franchise tax credit would result in a franchise tax revenue loss of \$1 million per year and an insurance premium tax revenue loss of \$1 million per year.

Local Government Impact

According to the Texas Association of Counties, the fiscal impact cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts, 347 Public Finance Authority, 580 Water Development Board, 601 Department of Transportation, 701 Texas Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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