

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 29, 2017**

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

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

**IN RE:** **HB2362** by Lozano (Relating to creating a fund to provide grants to certain local entities in areas of the state affected by decreased oil and gas production for economic development and diversification projects.), **As Introduced**

**The bill would have an indeterminate negative fiscal impact to the General Revenue Fund in biennia when actual General Revenue Funds available exceed the estimates in the Comptroller's Biennial Revenue Estimate.**

The bill would amend Chapter 401 of the Government Code, regarding the Governor and Lieutenant Governor, to add to Subchapter F (Office of the Governor) new Section 401.107 to create a fund for areas of the state that are economically impacted by decreased oil and natural gas production. The new oil and gas downturn assistance fund would be an account in the General Revenue Fund. This account would (1) fund grants for the purpose of economic development and diversification in municipalities, counties and school districts based on property tax appraisal eligibility criteria in the bill's provisions; (2) consist of excess general revenue transferred to the account by the Comptroller as directed by the bill's provisions; and (3) be administered by the Governor.

The bill would have no fiscal implications fiscal year 2017 since projected 2016-17 total biennial revenue will be less than total estimated revenue as it was estimated in 2016-17 Biennial Revenue Estimate. The fiscal implications for the 2018-19 biennium cannot be estimated since actual collections are unknown at this time. However, the bill could have significant negative implications on funds available for general purpose spending in biennia when actual total collections are significantly higher than amounts estimated in a BRE. For example, if the bill's provisions had been in place in the 2012-13 biennium, when actual collections were \$21.2 billion higher than estimated revenue 2012-13 Biennial Revenue Estimate, the Comptroller would have transferred \$5.5 billion - the ending balance for FY 2013 - to the credit of the new GR Account.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature. Although this bill would not make an appropriation, it would establish the basis for an appropriation.

The Governor's Office indicates there would be costs associated with administering the new grant program, it is assumed those costs could be absorbed within existing resources.

This bill would take effect September 1, 2017.

**Local Government Impact**

Municipalities, Counties, and School Districts would be eligible for grants from the newly created fund for the purpose of economic development and diversification if the appraised value of all property in the district declined by 20 percent or more. The amount of grants would depend on the amount of funds available in the new GR-D fund created by the bill.

**Source Agencies:** 300 Truſteed Programs Within the Office of the Governor, 304 Comptroller of Public Accounts

**LBB Staff:** UP, CL, SD, KK