

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 19, 2017

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

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

**IN RE: HB3895** by Cortez (Relating to the awarding of loans from the Texas military value revolving loan account.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3895, As Introduced: a negative impact of (\$132,658) through the biennium ending August 31, 2019.

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, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2018        | (\$68,179)   |
| 2019        | (\$64,479)   |
| 2020        | (\$64,479)   |
| 2021        | (\$64,479)   |
| 2022        | (\$64,479)   |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund<br>1 |
|-------------|--|
| 2018        | (\$68,179)   |
| 2019        | (\$64,479)   |
| 2020        | (\$64,479)   |
| 2021        | (\$64,479)   |
| 2022        | (\$64,479)   |

Fiscal Analysis

The bill would amend Government Code relating to the awarding of loans from the Texas military value revolving loan account.

The bill would allow certain defense base development authorities to apply for the Texas Military Preparedness Commission's (TMPC) loan program for certain projects. The bill would amend the TMPC's current loan review process by requiring that a loan application be forwarded to the Texas Public Finance Authority (TPFA) for review and evaluation, prior to the loan being considered by the TMPC. The bill would require TPFA to evaluate the creditworthiness of the loan applicant; and evaluate the feasibility of the proposed project for which funding was requested to determine whether the proposed revenue source would be sufficient to support the loan. TPFA would be required to immediately report its findings to the TMPC. The bill would also require the TMPC to act on a loan application within 30 days of receiving the application.

The bill would designate the TPFA as the entity responsible for determining whether a proposed project is financially feasible. The bill would require the TPFA to adopt certain rules and adopt a loan application form. The bill would take effect September 1, 2017.

### **Methodology**

Loans made through the Texas Military Preparedness Commission's loan program are funded by the issuance of State of Texas General Obligation debt and backed by the full faith and credit of the state. This analysis assumes no payment defaults on loans made under the provisions of the bill, however there would be a cost to General Revenue if a loan recipient defaulted on a loan payment to the state.

Based on information provided by TPFA, the agency would have an estimated administrative cost of \$68,179 in fiscal year 2018, and \$64,479 in subsequent years to implement the provisions of the legislation, related to the salary, benefits, travel, and other operating expense of one Full-time Equivalent (FTE) to implement the program.

According to the Texas Public Finance Authority, in order to perform credit evaluations and project feasibility studies, one FTE would have to be hired as a credit analyst. The costs would include one Financial Analyst IV (\$45,000), employee benefits such as retirement and insurance (\$16,479), one-time equipment costs in fiscal year 2018 (\$3,700), other operating expenses (\$2,000), and travel (\$1,000).

The Office of the Governor and the Veterans Commission indicated that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished within each agency's existing resources.

### **Technology**

According to information provided by TPFA, there would be a one-time cost of \$2,200 in fiscal year 2018 related to technology expenses.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 300 Truusted Programs Within the Office of the Governor, 347 Public Finance Authority, 403 Veterans Commission

**LBB Staff:** UP, CL, WP, LBe, GGo