LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 30, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB84** by Hall (Relating to a pilot project for financing certain Texas Department of Transportation projects.), **As Introduced**

Because the bill does not specify the location or boundaries of the newly created economic impact zone, the fiscal implications cannot be determined at this time. However, the bill is expected to result in a significant loss of General Revenue depending on the type and length of the highway project selected by the Texas Department of Transportation to be financed using revenue from an economic impact zone.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would amend the Transportation Code to authorize the Texas Department of Transportation (TxDOT) to finance one non-tolled highway project under a design-build contract to be financed, including through the issuance of bonds, wholly or partly using revenue from transportation reinvestment zones or an economic impact zone, as established by the bill. The bill would authorize TxDOT to establish an economic impact zone that extends not more than one mile from the centerline of the chosen project. The bill would require the Comptroller to (1) at the beginning of each calendar year, estimate the projected annual increase in state sales tax revenue in the zone during the calendar year over the amount of state sales tax revenue in the zone during the calendar year in which the zone was established; (2) monthly deposit one-twelfth of that amount to a separate account outside the treasury for the purposes of financing the project; and (3) at the end of each calendar year, transfer from the separate account to TxDOT the amount necessary to pay the costs of the project. The bill would require Comptroller to transfer any amounts remaining in the separate account to the General Revenue Fund. The bill would stipulate that revenue in the separate account may only be used for project development and construction, payment of debt, and project maintenance. The bill would require financing agreements for the project to contain provisions to allow the early retirement of debt using money from an economic impact zone or money appropriated by the Legislature. The bill would take effect on August 31, 2017.

The bill would require the Comptroller to deposit state sales tax revenue from taxable spending within a TxDOT-designated economic impact zone to a separate account outside the State Treasury rather than the General Revenue Fund. Based on the analysis provided by the Comptroller's office, it is assumed the implementation of an economic impact zone would result in a significant revenue loss to the General Revenue Fund and gain to a separate account outside the Treasury. State sales tax revenue from taxable spending that would occur in the general region of a project zone would be diverted from General Revenue to a separate account outside the treasury for the purpose of financing the project.

Because the bill does not specify the location and zone boundaries, and annual project costs and the economic characteristics of a zone are unknown, a specific estimate of the fiscal implications cannot be determined at this time; however, the Comptroller's office indicates the bill could result in a loss of sales tax revenue deposited to the General Revenue Fund ranging from $2.4 million to $9.7 million in the 2020-21 biennium. This estimated range of losses would increase to $5.7 million to $23.8 million in the following biennium. This revenue would be deposited instead to the new fund outside of the treasury. Because the bill does not specify a limit on the amount of revenue that may be transferred from the General Revenue Fund to the account or an end date for the transfers, it is assumed the fiscal implications of the bill would continue indefinitely, and grow by approximately 12 percent per biennium. The table below displays the Comptroller's range of estimates.

	Low Estimate	Low Estimate	High Estimate	High Estimate
Fiscal Year	(Loss) to General Revenue Fund	Gain to New Separate Account	(Loss) to General Revenue Fund	Gain to New Separate Account
2018	$0	$0	$0	$0
2019	$0	$0	$0	$0
2020	($800,000)	$800,000	($3,100,000)	$3,100,000
2021	($1,600,000)	$1,600,000	($6,600,000)	$6,600,000
2022	($2,400,000)	$2,400,000	($10,000,000)	$10,000,000
2023	($3,300,000)	$3,300,000	($13,800,000)	$13,800,000
2024	($4,300,000)	$4,300,000	($17,800,000)	$17,800,000
2025	($5,300,000)	$5,300,000	($21,900,000)	$21,900,000
2026	($6,200,000)	$6,200,000	($25,290,000)	$25,290,000
2027	($7,300,000)	$7,300,000	($30,300,000)	$30,300,000
2028	($8,100,000)	$8,100,000	($34,000,000)	$34,000,000
2029	($8,900,000)	$8,900,000	($37,000,000)	$37,000,000
2030	($9,500,000)	$9,500,000	($39,600,000)	$39,600,000
2031	($10,100,000)	$10,100,000	($42,000,000)	$42,000,000
2032	($10,700,000)	$10,700,000	($44,500,000)	$44,500,000
2033	($11,300,000)	$11,300,000	($47,200,000)	$47,200,000
2034	($12,000,000)	$12,000,000	($50,000,000)	$50,000,000
2035	($12,700,000)	$12,700,000	($53,000,000)	$53,000,000
2036	($13,500,000)	$13,500,000	($56,200,000)	$56,200,000
2037	($14,300,000)	$14,300,000	($59,600,000)	$59,600,000
2038	($15,200,000)	$15,200,000	($63,200,000)	$63,200,000
2039	($16,100,000)	$16,100,000	($67,000,000)	$67,000,000
2040	($17,100,000)	$17,100,000	($71,000,000)	$71,000,000
2041	($18,000,000)	$18,000,000	($74,600,000)	$74,600,000
2042	($18,900,000)	$18,900,000	($78,300,000)	$78,300,000
2043	($19,800,000)	$19,800,000	($82,200,000)	$82,200,000
2044	($20,800,000)	$20,800,000	($86,300,000)	$86,300,000
2045	($21,800,000)	$21,800,000	($90,600,000)	$90,600,000
2046	($22,900,000)	$22,900,000	($95,100,000)	$95,100,000
2047	($24,000,000)	$24,000,000	($99,900,000)	$99,900,000
2048	($25,200,000)	$25,200,000	($104,900,000)	$104,900,000
2049	($26,500,000)	$26,500,000	($110,100,000)	$110,100,000

This analysis assumes the provisions of the bill would not provide TxDOT with the authority to issue bonds for the purposes of financing the costs of a non-tolled highway project in connection with an economic impact zone. The Texas Transportation Commission and TxDOT have used all of the Commission's current bonding authority for non-tolled transportation projects. Therefore, this analysis assumes TxDOT would finance the costs of a design-build contract for a non-tolled highway project subject to the provisions of the bill by using tax revenue from the account outside the Treasury and the agency's existing highway planning and construction funds. It is also assumed TxDOT would use proceeds from the account to fund ongoing routine maintenance expenses after the completion of the highway project. Based on LBB's analysis of TxDOT, it is assumed any additional costs or duties associated with implementing the provisions of the bill could be absorbed within the agency's existing resources.

This legislation would do one or more of the following: create or recreate a dedicated account inthe 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.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 601 Department of Transportation
LBB Staff: UP, KK, EH, TG, SD