

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 16, 2019

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB274 by Davis, Sarah (relating to the establishment of the disaster reinvestment and infrastructure planning board and the creation of the disaster reinvestment and infrastructure planning revolving fund; making an appropriation.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB274, Committee Report 1st House, Substituted: a negative impact of (\$6,007,649) through the biennium ending August 31, 2021.

Additionally, the bill would have a negative impact to the Economic Stabilization Fund of (\$1,093,705,000) through the biennium ending August 31, 2021.

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

Appropriations:

Fiscal Year	Appropriation out of <i>Economic Stabilization Fund</i> 599
2020	\$1,000,000,000
2021	\$0

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$3,149,206)
2021	(\$2,858,443)
2022	(\$2,563,843)
2023	(\$2,569,378)
2024	(\$2,575,048)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Economic Stabilization Fund</i> 599	Probable Revenue (Loss) from <i>Economic Stabilization Fund</i> 599	Probable Revenue Gain from <i>Disaster Reinvestment and Infrastructure Planning Revolving Fund</i>	Probable (Cost) from <i>General Revenue Fund</i> 1
2020	(\$1,000,000,000)	(\$42,064,000)	\$1,000,000,000	(\$3,149,206)
2021	\$0	(\$51,641,000)	\$0	(\$2,858,443)
2022	\$0	(\$52,947,000)	\$0	(\$2,563,843)
2023	\$0	(\$54,285,000)	\$0	(\$2,569,378)
2024	\$0	(\$55,658,000)	\$0	(\$2,575,048)

Fiscal Year	Change in Number of State Employees from FY 2019
2020	27.0
2021	27.0
2022	27.0
2023	27.0
2024	27.0

Fiscal Analysis

The bill would amend Chapter 17 of the Water Code relating to the establishment of the Disaster Reinvestment and Infrastructure Planning Board (board) and the creation of the Disaster Reinvestment and Infrastructure Planning Revolving Fund (DRIP) and the permissible uses of that fund.

The bill would provide definitions, composition and administrative attachment of the board to the Texas Water Development Board (TWDB). The bill would create the DRIP as a fund outside the treasury. The fund's assets would be managed by the Texas Treasury Safekeeping Trust Company for and in the name of the board. Money in the fund would be used to make revolving loans and grants to provide financial assistance for public infrastructure projects based on the requirements, allocations schedules and conditions established in the bill.

The board would be required, not later than December of each even-numbered year, to prepare and submit to the Governor, Lieutenant Governor and the Legislature a report about the DRIP and the fund's balance and disbursements.

The bill would appropriate \$1 billion from the Economic Stabilization Fund (ESF) to the Comptroller for transfer to the credit of the new fund.

This bill would take effect September 1, 2019. The appropriation from the ESF to the new fund would take effect only if this bill is approved by a vote of two-thirds of the members in each house of the Legislature, as provided by Section 49-g(m), Article III of the Texas Constitution.

Methodology

The analysis is based on the 2020-21 Biennial Revenue Estimate and assumes the bill would be approved by a vote of two-thirds of the members in each house of the Legislature. Based on the bill's provisions, the ESF balance in fiscal 2020 would be reduced by \$1 billion, and the new fund

would be increased by a like amount. The loss to the ESF reflects a reduction in interest earnings on the ESF cash balance.

Based on information provided by TWDB, beginning in fiscal year 2020 27.0 FTEs would be required to develop and administer the fund and its loans and grants. Total costs for these FTEs, including salaries, benefits, travel, and office rental space, would be \$2,849,206 in fiscal year 2020, \$2,558,443 in fiscal year 2021, \$2,563,843 in fiscal year 2022, \$2,569,378 in fiscal year 2023, and \$2,575,048 in fiscal year 2024. Additional technology costs in the amount of \$300,000 in fiscal years 2020 and 2021 will also be necessary to enhance existing systems.

The bill 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 in, 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.

Technology

In order to accommodate the additional financial aid recipients and loans as a result of the DRIP, TWDB will need to provide enhancements to two existing systems: the Online Loan Application System, which is used by entities to apply online for loan programs, and the Texas Water Information System Expansion, which functions as the agency's financial database for loans. TWDB anticipates that the enhancements will cost \$300,000 in fiscal year 2020 and \$300,000 in fiscal year 2021.

Local Government Impact

Local governments could potentially receive loans or grants to provide financial assistance for a public infrastructure projects to rebuild infrastructure damaged or destroyed in a disaster or construct infrastructure to mitigate damage from a disaster.

Source Agencies: 304 Comptroller of Public Accounts, 580 Water Development Board

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