

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 12, 2019**

**TO:** Honorable Dade Phelan, Chair, House Committee on State Affairs

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

**IN RE:** **HB1096** by Capriglione (relating to the modernization of state agency information technology systems.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1096, Committee Report 1st House, Substituted: a negative impact of (\$480,000) through the biennium ending August 31, 2021 for administration of a new program to provide loans to state agencies for information technology modernization projects.

There would be an additional cost depending on the level of appropriation the Legislature provides for deposit to the Texas Innovation Fund.

The provisions of the bill may delay the lapsing of appropriations to the General Revenue Fund for future appropriation, of which the impact is indeterminate.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	(\$240,000)
2021	(\$240,000)
2022	(\$240,000)
2023	(\$240,000)
2024	(\$240,000)

## All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2019
2020	(\$240,000)	3.0
2021	(\$240,000)	3.0
2022	(\$240,000)	3.0
2023	(\$240,000)	3.0
2024	(\$240,000)	3.0

## Fiscal Analysis

The bill would amend Chapter 403 of the Government Code to create the Texas Innovation Fund (Fund) and the State Agency Technology Upgrades Account (Account) as special funds outside the state Treasury. The bill would create the Texas Innovation Fund Board (Board) to administer both the Fund and the Account and to make awards of financial assistance to state agencies for qualifying information technology (IT) modernization projects, as defined in the bill.

The Fund would consist of money appropriated, credited or transferred by the Legislature; money received for repayment of loans made from the Fund; and interest and other earnings on deposits and investments of money in the Fund. The Comptroller, in consultation with the Department of Information Resources (DIR), would establish a loan program to authorize the Board to use the Fund to provide loans to state agencies for qualifying IT modernization projects. The loan would be repaid by an agency within seven years of the date the loan is made. The agency borrower would make annual reports to the Board identifying cost savings realized as a result of the project for which the loan was received.

The Account would consist of money deposited by the Comptroller, upon written request from a state agency, from unexpended balances of money appropriated to the agency for IT services or cybersecurity purposes, as well as interest and other earnings on deposits and investments of money in the Account. Deposits from a state agency's unexpended balances and any interest or other earnings could be requested by the affected state agency for a qualifying IT modernization project. If the state agency does not request the money within three years from the date the money was deposited to the Account, the Comptroller would transfer the money to the General Revenue Fund to be used in accordance with legislative appropriation.

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 within 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.

## Methodology

Based on the analysis of the Comptroller's office, there would be an administrative cost to establish and administer the new Texas Innovation Fund loan program. The estimate reflects the funds necessary to hire three program specialist IVs. The Comptroller's office would need to promulgate rules, create loan forms and contract agreements, review applications for program eligibility, monitor fund balances, provide contract oversight, track loan repayments and interest, prepare annual reports and presumably provide administrative support to the board related to the day to day operations of the Fund.

The overall fiscal impact of the bill is indeterminate would largely depend on the amount the Legislature appropriates for the Fund, as well as the amount of unexpended balances from a state agency's IT budget requested by the agency to be deposited to the State Agency Technology Upgrades Account. Relating to the bill's provisions pertaining to the use of the Account, the bill could potentially delay the time at which amounts would ordinarily lapse into unappropriated General Revenue (GR) for future appropriation. Additionally, the Comptroller's office has indicated that Constitutionally-created funds, including the State Highway Fund, Permanent School Fund, and Economic Stabilization Fund, cannot be diverted to GR under the Texas Constitution, and unused federal funds cannot be diverted to GR under federal law and must be returned to the federal government.

### **Technology**

There would be no technology impact to the Comptroller's office.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 313 Department of Information Resources

**LBB Staff:** WP, CMa, NV, LCO, RC