

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 26, 2019

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

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

IN RE: **HB1917** by Murphy (relating to the creation of the disaster response loan fund and the permissible uses of that fund; making an appropriation; authorizing a fee.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1917, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2021.

The bill would make an appropriation of \$1 billion out of the Economic Stabilization Fund for transfer to the Disaster Response Loan Fund created by the bill if the bill is approved by a vote of two-thirds of the members present in each house of the Legislature.

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	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Economic Stabilization Fund</i> 599	Probable Revenue (Loss) from <i>Economic Stabilization Fund</i> 599	Probable Revenue Gain/(Loss) from <i>New Disaster Response Loan</i> <i>Fund, outside Treasury</i>
2020	(\$1,000,000,000)	(\$42,064,000)	\$1,000,000,000
2021	\$0	(\$51,641,000)	\$0
2022	\$0	(\$52,947,000)	\$0
2023	\$0	(\$54,285,000)	\$0
2024	\$0	(\$55,658,000)	\$0

Fiscal Analysis

The bill would add Subchapter R, relating to the Disaster Response Loan Fund (DRLF), to Chapter 403 of the Government Code. The bill would establish the DRLF outside the state treasury to be administered by the Comptroller of Public Accounts (CPA). The DRLF would consist of money appropriated, credited, or transferred to the fund by the Legislature; money received by the CPA for repayments of loans made from the fund; gifts or grants; and interest earned on deposits and investments of the fund.

The bill would require the CPA to establish a loan program to use money from the DRLF to provide short-term loans for disaster relief or recovery projects to political subdivisions that are located wholly or partly in an area declared by the governor to be a disaster area and that the Federal Emergency Management Agency has determined are eligible to receive financial assistance from the agency in response to the disaster. The bill provides the conditions for the loans that would be disbursed from the fund and prohibits the CPA from awarding a loan if the award would affect the political subdivision's receipt of eligible federal disaster funds. The bill would require the CPA and the Texas Division of Emergency Management (TDEM) to jointly develop and implement the loan application process. The CPA would be authorized to charge the applicant a fee sufficient to cover the costs of processing the application.

Not later than December 31 of each even-numbered year, the CPA would be required to prepare and submit to the Governor, Lieutenant Governor, and each member of the Legislature a report with certain information on the loans made through the fund in the preceding two-year period.

The bill would appropriate \$1 billion from the Economic Stabilization Fund (ESF) to the CPA for the purpose of transferring that amount to the DRLF if the bill is approved by a vote of two-thirds of the members present in each house of the Legislature.

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

According to the CPA, 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 DRLF would be increased by a like amount. Additionally, there would be a revenue loss to the ESF beginning in fiscal year 2020 reflecting a reduction in interest earnings on

the ESF cash balance.

The CPA and TDEM indicate that the costs to administer the new loan program could be absorbed within existing resources.

Technology

No technology impact is estimated.

Local Government Impact

The Texas Association of Counties estimates a potential positive fiscal impact on counties affected by disasters. However, the extent of that impact will depend on funding for the disaster response loan fund and on the interest rates charged to counties relative to market rates. Therefore, the extent of the impact cannot be determined at this time.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 405 Department of Public Safety

LBB Staff: WP, LCO, KK, NV, PBO, AF