LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 19, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

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

IN RE: **HB2129** by Murphy (Relating to the extension of the expiration of certain parts of the Texas Economic Development Act.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2129, As Introduced: an impact of $0 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.

General Revenue-Related Funds, Ten-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	$0
2021	$0
2022	$0
2023	($252,000)
2024	($327,000)
2025	($350,209)
2026	($2,136,458)
2027	($26,150,849)
2028	($87,195,845)
2029	($166,298,542)

All Funds, Ten-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund 1*	Probable Savings/(Cost) from *Foundation School Fund 193*	Probable Revenue Gain/(Loss) from *School Districts*	Change in Number of State Employees from FY 2019
2020	$0	$0	$0	0.0
2021	$0	$0	$0	0.0
2022	$0	$0	$0	0.0
2023	($252,000)	$0	$0	3.0
2024	($327,000)	$0	$0	4.0
2025	($402,000)	$51,791	($2,151,791)	5.0
2026	($477,000)	($1,659,458)	($23,740,542)	6.0
2027	($552,000)	($25,598,849)	($57,501,151)	7.0
2028	($627,000)	($86,568,845)	($71,031,155)	8.0
2029	($702,000)	($165,596,542)	($75,803,458)	9.0

Fiscal Analysis

The bill would amend Texas Tax Code, Section 313.007 to extend the expiration date of Subchapters B and C of Chapter 313 (Texas Economic Development Act) from December 31, 2022 to December 31, 2032.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise the effective date of the bill is September 1, 2019.

Methodology

Subchapters B and C of Tax Code Chapter 313 expire December 31, 2022. Extending the expiration of Subchapters B and C would allow ten additional years of Chapter 313 projects.

Annual "model classes" of future applicants to the Chapter 313 program were created from an analysis of project data, and applications submitted between 2013 and 2018. The model class revenue reduction estimates were reduced by ten percent in each year to adjust for project terminations, and depreciation differences over time. Modeled estimates of the lifetime gross tax benefit for each of the ten additional annual "model classes" are approximately $1 billion.

The estimated cost to the Foundation School Program is $0.1 million in fiscal year 2025, $1.7 million in fiscal year 2026, increasing to $165.6 million in fiscal year 2029.

To the extent that some projects would not locate in Texas "but for" the Chapter 313 program, the estimated local revenue reductions shown in the table above may not create a state cost through the Foundation School Program.

The Comptroller's office reports that administrative costs to implement provisions of the bill would total $252,000 per year starting in fiscal year 2023. The administrative cost estimate reflects the funds that would be necessary to hire two program specialist IVs and one auditor III to handle the forecasted expansion of the program. The growth of the program would require the addition of one program specialist IV each year to manage the increased number of projects in the program. Each application statutorily requires staff to perform an economic impact analysis, data collection, reporting, and certification of the applicant.

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the table above.

Estimated school levy losses in the years 2030 through 2049 due to the 10-year Chapter 313 program extension are approximately $9.6 billion.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: WP, KK, SJS, AH