

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 16, 2019

TO: Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

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

IN RE: SB132 by Hinojosa (Relating to operation of the Texas leverage fund program administered by the Texas Economic Development Bank.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB132, 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, 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 Revenue Gain/(Loss) from <i>Economic Development Bank</i> 5106	Probable Revenue Gain/(Loss) from <i>New Texas Leverage Fund - Fund outside</i> <i>Treasury</i>
2020	(\$5,684,000)	\$5,684,000
2021	(\$1,528,000)	\$1,528,000
2022	(\$985,000)	\$985,000
2023	(\$943,000)	\$943,000
2024	(\$898,000)	\$898,000

Fiscal Analysis

The bill would amend the Government Code by creating the Texas Leverage Fund. The Texas Leverage Fund is established as a fund outside the treasury by the comptroller and may be used for making loans to Economic Development Corporations for eligible projects, principal and interest on bonds, and to pay costs associated with the administration of the program.

The bill authorizes the Texas Economic Development Bank to issues, sell, and retire bonds, including obligations in the form of commercial paper to provide funding for economic development purposes.

The bill authorizes the Texas Leverage Fund, as amended, to continue operations as established by the September 9, 1992 master resolution of the Texas Department of Commerce.

The bill provides that previous government acts and proceedings of the comptroller, the Texas Economic Development and Tourism Office, and the Texas Economic Development Bank relating to the administration of the Texas Leverage Fund that occurred before the effective date of this bill are validated as if they had been authorized by law.

The bill would take effect immediately upon receiving a two-thirds vote of each house, otherwise the bill would take effect September 1, 2019.

Methodology

Within the Office of the Governor, the Economic Development Bank is currently charged with administering the Texas Leverage Fund. The Texas Leverage Fund program was originally created in 1992 to allow local Economic Development Corporations to leverage their economic development sales and use taxes for the support of local development projects. The bill would re-enact and update former sections of the Texas Government Code that were in effect at the time the program was created and would allow the program to continue to operate and authorize the bank to make amendments to the Master Resolution to extend and update the operations of the program.

According to the Office of the Governor and the Comptroller of Public Accounts, the Texas Leverage Fund Program is currently operated under General Revenue-Dedicated Account 5106 - Texas Economic Development Bank. Based on the 2020-21 Biennial Revenue Estimate and data provided by the Office of the Governor, the balance of the fund is expected to be \$4,103,000 at the close of fiscal year 2019. This analysis assumes that this balance will move to the newly created Texas Leverage Fund. Taking into consideration the loss of 2020 revenue related to repayments and interest income generated on loans from the account in the amount of \$1,581,000, the total loss to General Revenue-Dedicated Account 5106 - Texas Economic Development Bank is estimated to be \$5,684,000 in fiscal year 2020, \$1,528,000 in fiscal year 2021, and less than \$1 million in subsequent years.

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 in, with, or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.095, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. 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 fiscal implication to units of local government is anticipated.

Source Agencies: 300 Truſteed Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 352 Bond Review Board

LBB Staff: WP, SZ, NV, JSm