

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

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

**April 22, 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.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB132, Committee Report 1st House, Substituted: 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from Economic Development Bank 5106</b>	<b>Probable Revenue Gain/(Loss) from New Texas Leverage Fund - Fund outside Treasury</b>
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.

The bill stipulates that the Comptroller, Texas Economic Development Bank, Texas Economic Development and Tourism Office, and the Attorney General would be required to implement the provisions of the bill only if the Legislature appropriates money specifically for that purpose; absent that appropriation those agencies could, but would not be required to, implement the provisions of the bill using other appropriations. This analysis assumes that either the Legislature will appropriate money for the purposes of the bill, or that the agencies will implement the provisions of the bill using other appropriations.

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 Truusted Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 352 Bond Review Board

**LBB Staff:** WP, SZ, NV, JSm