

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 18, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4242 by Meyer (Relating to the extension of the expiration of certain parts of the Texas Economic Development Act.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4242, As Engrossed : an impact of \$0 through the biennium ending August 31, 2023.

However, the cost to the Foundation School Program increases to (\$98.5 million) in fiscal year 2031.

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:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	(\$857,622)
2026	(\$10,746,718)
2027	(\$43,038,546)
2028	(\$86,906,168)
2029	(\$98,566,292)
2030	(\$98,161,878)
2031	(\$98,497,162)

All Funds, Ten-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from School Districts
2022	\$0	\$0
2023	\$0	\$0
2024	\$0	\$0
2025	(\$857,622)	(\$2,600,000)
2026	(\$10,746,718)	(\$36,200,000)
2027	(\$43,038,546)	(\$152,900,000)
2028	(\$86,906,168)	(\$278,200,000)
2029	(\$98,566,292)	(\$325,800,000)
2030	(\$98,161,878)	(\$333,600,000)
2031	(\$98,497,162)	(\$346,100,000)

Fiscal Analysis

The bill would amend Section 313.007, Tax Code to extend the expiration date of Subchapters B and C of Chapter 313 (Texas Economic Development Act) from December 31, 2022 to December 31, 2024.

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, 2021.

Methodology

Subchapters B and C of Tax Code Chapter 313 expire December 31, 2022. Extending the expiration of Subchapters B and C would allow two 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 2020. Data collected from 509 Chapter 313 participants in 2020 indicates the estimated lifetime gross tax benefit for the projects applying in 2015, 2016, 2017, 2018, and 2019 is as follows, respectively: \$780 million, \$948 million, \$1 billion, \$1.4 billion and \$1.9 billion. The class of 2023 represents the first year of applications under the bill. In an attempt to take into account the impact of the coronavirus pandemic on program participation on the estimated size of the first class of Chapter 313 applicants applying in 2023, the size of the estimated 2020, 2021, and 2022 model classes were reduced by about a third below what trendlines based on actual data would have indicated, and then trended according to historical growth rate.

Estimates of levy loss by year in the table reflect the anticipated local school district M&O revenue reductions from Chapter 313 projects applying in 2023 and 2024. Estimates of the lifetime gross tax benefit for projects applying during 2024 were increased by eight percent over those applying in 2023.

The estimated cost to the Foundation School Program is \$0.9 million in fiscal year 2025, \$10.7 million in fiscal year 2026, increasing to \$98.5 million in fiscal year 2031.

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 below may be lower and may not create a state cost through the Foundation School Program.

The Comptroller's office anticipates no administrative costs associated with implementing the provisions of the bill.

Local Government Impact

The fiscal impact to school districts is shown in the table above.

Estimated school levy losses in the years 2032 through 2043 due to the two-year Chapter 313 program extension are approximately \$2.6 billion.

Source Agencies: 304 Comptroller of Public Accounts

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