

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

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**March 25, 2021**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: SB1255** by Birdwell (Relating to the Texas Economic Development Act.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1255, As Introduced : an impact of \$0 through the biennium ending August 31, 2023.

However, fiscal implications to the state begin with the 2024-25 biennium.

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>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2022	\$0
2023	\$0
2024	\$5,492,634
2025	\$14,979,445
2026	\$9,840,477
2027	(\$19,033,829)
2028	(\$73,940,657)
2029	(\$124,319,954)
2030	(\$193,325,063)
2031	(\$285,702,863)

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

<i>Fiscal Year</i>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>	<b>Probable Revenue Gain/(Loss) from School Districts LOCAL-SCHOOL</b>
2022	\$0	\$0
2023	\$0	\$0
2024	\$5,492,634	\$15,700,000
2025	\$14,979,445	\$38,200,000
2026	\$9,840,477	\$24,800,000
2027	(\$19,033,829)	(\$56,100,000)
2028	(\$73,940,657)	(\$170,500,000)
2029	(\$124,319,954)	(\$294,900,000)
2030	(\$193,325,063)	(\$425,100,000)
2031	(\$285,702,863)	(\$587,700,000)

## **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 eliminate renewable energy electric generation as an eligibility category in Chapter 313.

The bill would cap the maximum Chapter 313 application fee a school district can charge at \$50,000.

The provisions of the bill would apply to agreements filed after September 1, 2021. Agreements with applications filed before September 1, 2021 would be governed by the law in effect on the date the application was filed, and the former law would be continued for those agreements.

The bill would take effect 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 ten additional years of Chapter 313 projects.

The bill would eliminate renewable energy generation projects from the Chapter 313 program after September 1, 2021.

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. 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 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 until 2023. Model class sizes after 2022 were assumed to increase eight percent annually.

Removing renewable electric energy generation from the program after September 1, 2021 creates some local school revenue gains for renewable energy electric generation projects (not receiving a Chapter 313 limitation) applying between September 1, 2021 and December 31, 2022.

The gains in local school revenues from the removal of solar and wind projects between September 1, 2021 and December 31, 2022, offset—for a few years—the increasing revenue reductions created by extending the Chapter 313 program for other eligibility categories for ten more years after December 31, 2022. The estimated savings to the Foundation School Program is \$5.5 million in fiscal year 2024, \$15.0 million in fiscal year 2026, decreasing to a cost of \$285.7 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 above may not create a state cost through the Foundation School Program.

## **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 2032 through 2049 due to the 10-year Chapter 313 program extension are approximately \$18.6 billion.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, AJL, SD, BRI, WP, KK, SJS, AH