

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION
Revision 1

May 18, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1515 by Clardy (Relating to the continuation and functions of and certain programs subject to rules adopted by the Texas Economic Development and Tourism Office.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1515, As Passed 2nd House : a negative impact of (\$29,990,000) through the biennium ending August 31, 2025.

Additionally, there would be a cost to GR-Dedicated Economic Development Bank Account No. 5106 due to the use of the remaining balance associated with the abolished Original Capital Access Program to fulfill the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$25,300,000)
2025	(\$4,690,000)
2026	(\$4,720,000)
2027	(\$4,730,000)
2028	(\$4,730,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from Economic Development Bank 5106	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2024	(\$2,561,000)	(\$25,300,000)
2025	(\$257,500)	(\$4,690,000)
2026	(\$11,000)	(\$4,720,000)
2027	(\$7,500)	(\$4,730,000)
2028	(\$11,000)	(\$4,730,000)

Fiscal Analysis

The bill is the sunset legislation for the Office of Economic Development & Tourism (EDT) The bill amends the Sunset date for EDT from 2023 to 2035.

The bill makes conforming changes and consolidates four EDT reports into one.

The bill exempts the Small Business Advisory Task Force from rules regarding Advisory Committees found

under Government Code 2110 while also granting EDT the ability to make their own advisory committees as needed.

The bill mandates that EDT develops a stakeholder engagement plan for all their lending programs.

The bill changes the annual tourism plan to a biennial plan and requires it to be submitted by December 1, 2024. Additionally, the bill grants EDT the authority to establish submission procedures for the tourism plan from other agencies subject to the tourism's memorandum of understanding.

The bill mandates EDT to establish rules for access to capital programs and details the wind up of the Product Development and Small Business Incubator (PDSBI) program. On the completion of the windup process, the Bank would be required to deposit any remaining investment earnings to the credit of the Texas Economic Development Bank Fund.

The bill mandates that EDT consolidate new and existing reporting requirements into one detailed report for all incentive programs.

The bill repeals the aerospace and Aviation Advisory Committee and consolidates reporting requirements.

The bill also repeals the Original Capital Access Program (OCAP) and removes program-specific reporting requirements previously consolidated into the annual report.

The bill would amend the Government Code relating to Enterprise Zones, by stipulating a person who performs at least 50 percent of their services offsite for a business at a qualified site and resides 25 miles from the qualified site, is a qualified employee. These provisions would apply only to a resident of Texas. This provision would apply prospectively, as well as to an enterprise project that is under audit or subject to audit by the Comptroller's Office, on or after the effective date of the bill.

The bill would allow a nominating body to electronically submit a digital scan of a certified copy of certain necessary documentation for the Texas Enterprise Zone program.

Methodology

EDT indicates that to fulfill the additional reporting and marketing requirements of the bill, the Bank would need to build an online application to record and maintain data sets. The technology for such a tool would require a professional contractor, other operating costs, and IT set-up and ongoing maintenance for a total cost of \$518,500 during the 2024-25 biennium.

The Product Development and Small Business Incubator (PDSBI) program was capitalized with \$45 million of bond proceeds that are due to be repaid in 2045, though they can be called early. The PDSBI currently has a single \$2.3 million loan outstanding that is in default proceedings.

Total cost for HB1515 includes the additional technology needs and the redemption of currently outstanding bonds, for a total \$2,818,500 for the 2024-25 biennium. This analysis assumes that the remaining OCAP balance of \$4,000,000 would be transferred to the PDSBI program for early bond redemption. This analysis does not consider early bond defeasance costs, such as interest costs, associated with the currently outstanding debt associated with the PDSBI.

The Original Capital Access (OCAP) program has an estimated balance of \$4,000,000, which sits in GR-Dedicated Economic Development Bank Account No. 5106. If OCAP is repealed, the remaining balance could be used to payoff the outstanding debt related to PDSBI, as well as the technology costs associated with the bill.

The expansion of the definition of qualified employee to include one who performs at least 50 percent of their duties offsite and resides within 25 miles of the qualified site would increase the number of qualified employees eligible to be counted in the determination of refunds claims and would increase the amounts of refunds paid to qualified businesses. It is anticipated that this provision will result in revenue loss of \$30.0 million over the 2024-25 biennium. This analysis assumes that retroactive rebates will amount to \$20.7 million

in fiscal year 2024 with about \$4.7 million in new rebates in fiscal year 2024 and each year after.

Technology

Technology costs associated with the bill total \$518,500 for the 2024-25 biennium. These technology costs involve the development of an online application to record and maintain datasets. This would require a professional contractor, other operating costs, and IT set-up and ongoing maintenance.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 300 Trusteed Programs Within the Office of the Governor, 304 Comptroller of Public Accounts

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