

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 12, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1515 by Clardy (relating to the continuation and functions of the Texas Economic Development and Tourism Office.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1515, Committee Report 2nd House, Substituted : an impact of \$0 through the biennium ending August 31, 2025. Although there would be no cost to General Revenue associated with the bill, 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.

This analysis includes only costs to pay-off the currently outstanding loan debt associated with the Product Development Small Business Incubator program, as well as costs for technology development. The Economic Development & Tourism Office is in the process of issuing a new loan that would create additional debt costs not included in this estimate.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>Economic Development Bank 5106</i>
2024	(\$2,561,000)
2025	(\$257,500)
2026	(\$11,000)
2027	(\$7,500)
2028	(\$11,000)

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.

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. Additionally, prior to the release of Sunset recommendations, the Bank was in final stages of financing a \$6.44 million loan.

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 include payoff of bond debt related to the aforementioned \$6.44 million pending loan not yet issued by EDT, or 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.

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 Trusted Programs Within the Office of the Governor, 304 Comptroller of Public Accounts

LBB Staff: JMc, MOc, HGR, SZ, LCO, NV, SD