

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 9, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4429 by Landgraf (Relating to certain school district tax abatements for power system reliability projects.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB4429, As Introduced : a negative impact of (\$36,029,000) through the biennium ending August 31, 2025.

The Comptroller's Office provided data from three projects that participated under the now expired Chapter 313 program and most closely matched the investment (at least \$1.0 billion) and limitation (\$30.0 million) size envisioned by the proposed tax abatement program to model the costs associated with implementing the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	\$0
2025	(\$36,029,000)
2026	(\$49,162,000)
2027	(\$66,496,000)
2028	(\$86,601,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from Foundation School Fund 193</i>	<i>Probable Revenue Gain/(Loss) from School Districts</i>
2024	\$0	\$0
2025	(\$36,029,000)	(\$53,841,000)
2026	(\$49,162,000)	(\$72,227,000)
2027	(\$66,496,000)	(\$98,087,000)
2028	(\$86,601,000)	(\$126,139,000)

Fiscal Analysis

The bill would amend Chapter 312 of the Tax Code, relating to Property Redevelopment and Tax Abatement Act, to provide a tax abatement for power system reliability projects in a reinvestment zone created by a school district involving a natural gas electric generation facility that provides dispatchable electric power to the ERCOT power region.

The bill would define a power system reliability project as an improvement to real property with “real tangible

personal property” of at least \$1.0 billion, first placed in service in this state on or after January 1, 2024, and without regard to whether the property is affixed to or incorporated into real property. The project would use the tangible personal property to construct a natural gas-powered electric generation facility; such facility would be located in a reinvestment zone created by a school district. The project may include a plant that captures, uses, reuses, or stores carbon dioxide emissions for enhanced oil recovery, sequestration, or other commercial uses, however the plant would not be required in order to obtain the tax abatement described below.

The governing body of a school district is required to execute a tax abatement agreement with the owner of a power system reliability project to exempt the value of any improvements greater than \$30.0 million in appraised value from school district maintenance and operation (M&O) property taxation for a duration of 10 years.

The bill would require the chief appraiser to provide an executed agreement of each such tax abatement agreement to the Comptroller's office before July 1 of the year following agreement execution.

The bill would make conforming changes to the Government Code.

Methodology

There is currently no Chapter 312 program directly comparable to the proposed tax abatement. Although the Chapter 313 (Texas Economic Development Act) program expired in 2022, this new program exhibits some similarity as it also involves agreements between projects and school districts and grants a 10-year tax abatement. In contrast to this bill, the Chapter 313 program had several additional statutorily required limitations including: a defined investment period, minimum qualified and non-qualified job and wage requirements, qualified property and investment requirements, a requirement that obtaining the Chapter 313 tax limitation was a determining factor for the project to be built, and a prohibition against pooling investment.

It may be assumed as this bill requires at least \$1.0 billion in appraised value, with no prohibition on pooling investment and few other general program barriers, the fiscal impact for this program could be significant for the state and units of local government. This analysis uses data from three projects that participated under the now expired Chapter 313 program and most closely matched the investment (at least \$1.0 billion) and limitation (\$30.0 million) size envisioned by the proposed tax abatement program to model the costs associated with implementing the provisions of the bill.

Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The estimated cost to the Foundation School Program (FSP) is \$36.0 million in fiscal year 2025, increasing to \$86.6 million in fiscal year 2028.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI