

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 12, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR125 by Ashby (Proposing a constitutional amendment creating the broadband infrastructure fund to assist in the financing of broadband and telecommunications services projects in the state.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR125, As Engrossed : a negative impact of (\$436,285,000) through the biennium ending August 31, 2025, not including the cost of publication.

In addition, the bill would result in a negative impact to General Revenue Related Funds of (\$4,833,474,000) in the biennium ending August 31, 2027. The cost to the state for publication of the resolution is \$204,406.

General Revenue-Related Funds, Five- Year Impact:

| <i>Fiscal Year</i> | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|--------------------|-------------------------------------------------------------------------------------|
| 2024 | \$0 |
| 2025 | (\$436,285,000) |
| 2026 | (\$3,976,584,000) |
| 2027 | (\$856,890,000) |
| 2028 | \$0 |

All Funds, Five-Year Impact:

| <i>Fiscal Year</i> | Probable Revenue Gain from Broadband Infrastructure Fund | Probable Revenue Gain/(Loss) from Economic Stabilization Fund 599 | Probable Revenue (Loss) from General Revenue Fund 1 |
|--------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| 2024 | \$5,000,000,000 | (\$5,101,018,000) | \$0 |
| 2025 | \$0 | (\$189,059,000) | (\$436,285,000) |
| 2026 | \$0 | \$431,161,000 | (\$3,976,584,000) |
| 2027 | \$0 | \$3,875,191,000 | (\$856,890,000) |
| 2028 | \$0 | \$670,945,000 | \$0 |

Fiscal Analysis

The resolution would amend Article III of the constitution, adding Section 49-d-16, which creates the Texas Broadband Infrastructure Fund (BIF) in the state treasury outside of General Revenue.

The BIF would be administered by the Comptroller, and would be used to expand broadband and telecommunication services in the state. The BIF would consist of appropriations, transfers, and dedicated revenues, as well as gifts, grants, and donations.

The bill would require the Comptroller to transfer \$5,000,000,000 to the BIF from the Economic Stabilization Fund (ESF). This money would be constitutionally dedicated, and therefore, not subject to the spending limit provided by Section 22, Article VIII of the Constitution.

The bill would require the Comptroller to return any unexpended or unobligated funds in the BIF back to the ESF immediately before the section expires on September 1, 2035.

Methodology

Fiscal impacts are based on the 2024-25 Biennial Revenue Estimate (BRE) and fiscal implications of Senate Bill 30, as engrossed, because of its effect on the ESF balance, related reserves, and transfers of severance tax revenue, and interest and investment earnings.

The \$5 billion transfer from the ESF for deposit to the BIF would decrease the ESF balance and result in a larger severance tax transfer to the ESF in fiscal years 2026 and 2027 than assumed in the BRE, as adjusted for the effects of SB 30 on the ESF balance. General Revenue Fund implications in fiscal years 2025 and 2026 represent the increase in reserves for severance taxes transferred to the ESF as a result of a decrease in the ESF balance.

Implications to the ESF represent the net difference between transfers from the ESF and increased severance taxes transferred to the fund in fiscal 2026 -27, and consequent changes to ESF interest and investment earnings.

In addition to the \$5 billion transfer to the BIF, there would be a revenue gain to the fund from earned interest on the fund balance. As the timing of expenditures from the fund is unknown, the amount of interest revenue cannot be estimated.

Note: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No significant fiscal implication to units of local government is anticipated as a result of the joint resolution alone. There would be fiscal implications due to the enabling legislation House Bill 9.

Source Agencies: 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas

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