

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 7, 2025

TO: Honorable Phil King, Chair, Senate Committee on Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB2322 by King (Relating to the applicability of the compelling factor test within the Texas Jobs, Energy, Technology, and Innovation Act.), **As Introduced**

Passage of the bill would remove the compelling factor requirement for utility services projects under the Texas Jobs, Energy, Technology and Innovation Act. As a result, taxable value would be decreased and the associated costs to the Foundation School Fund increased through the operation of the school finance formulas. Due to the unknown number of projects that could qualify for the program, the fiscal impact cannot be determined. However, based on an analysis of publicly available projects the fiscal impact could be a cost of (\$0.8 million) in the biennium ending August 31, 2027, increasing to a cost of (\$46.2 million) in the biennium ending August 31, 2031.

The bill would remove the requirement that a utility services facility project demonstrate that an agreement is a compelling factor in a competitive site selection determination under the Texas Jobs, Energy, Technology and Innovation Act (JETI).

The eligibility changes proposed by the bill could result in substantial growth in the JETI program. The bill removes electric generation facilities from the compelling factor requirements. The Comptroller's office cannot accurately determine if a potential project would have information that it would deem adequate for a compelling factor determination from general public information available on potential Texas projects. However, publicly available information on investment and market values for a representative sample of electric generation facilities was used to create annual model classes in order to produce illustrative estimates of taxable value loss to school districts for potential projects that might be admitted to the program following exception from compelling factor requirements as provided by the bill.

For illustrative purposes only, based on an analysis of potential property value loss provided by the Comptroller's office, the estimated cost to the Foundation School Program (FSP) could be \$0.8 million in fiscal year 2027, \$5.7 million in fiscal year 2028, increasing to \$27.4 million in fiscal year 2031.

Local Government Impact

The provisions of the bill apply only to school districts.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, RStu, KK, BRI