

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**February 20, 2003**

**TO:** Honorable Fred Hill, Chair, House Committee on Local Government Ways and Means

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB106** by Chavez (Relating to a local option exemption from ad valorem taxation of property that is owned by certain child-care facilities and is used for providing care for children.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB106, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	(\$20,749,504)
2007	(\$21,371,989)
2008	(\$22,013,149)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>
2004	\$0	\$0	\$0	\$0
2005	\$0	(\$20,749,504)	(\$6,576,604)	(\$7,161,125)
2006	(\$20,749,504)	(\$622,485)	(\$6,773,902)	(\$7,375,959)
2007	(\$21,371,989)	(\$641,160)	(\$6,977,119)	(\$7,597,237)
2008	(\$22,013,149)	(\$660,394)	(\$7,186,432)	(\$7,825,154)

**Fiscal Analysis**

The bill would amend Chapter 11 of the Tax Code to allow taxing units to exempt from property taxation the real and personal property owned by a child-care facility, day-care center, or group day-care home as defined in the Human Resources Code.

To qualify for the exemption, the property would have to be reasonably necessary and used exclusively for provision of care to children attending the child-care, day-care, or group day-care facility.

This bill would take effect January 1, 2004, contingent upon passage of a constitutional amendment authorizing the exemption.

### **Methodology**

The Texas Department of Protective and Regulatory Services provided information on the estimated number of licensed day care facilities and licensed residential child care facilities in Texas for fiscal year 2004. Non-profit and state operated facilities were deducted from the total to calculate the number of facilities which may be eligible for the exemption. It was assumed that all eligible facilities would receive the exemption, and that the property value for the average facility would be \$125,000. This base amount was trended upward each year based on historical property value increases. The statewide average tax rates for school districts, counties and cities were then applied to the estimated property values to calculate the amount of the exemption.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. It is assumed that the state would reimburse school districts for their total levy losses, including losses for this exemption, after a one-year lag.

### **Local Government Impact**

The fiscal impact on units of local government are reflected in the above table.

**Source Agencies:** 304 Comptroller Of Public Accounts, 530 Department Of Protective And Regulatory Services

**LBB Staff:** JK, JO, SD, WP, DLBe, BR