

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 23, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB700 by Gutierrez (Relating to the amount of the appraised value of the residence homestead of a disabled or elderly person that is exempt from ad valorem taxation by a school district.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB700, As Introduced: a positive impact of \$2,093,000 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	\$2,093,000
2006	(\$136,469,000)
2007	(\$142,829,000)
2008	(\$148,210,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue (Loss) from <i>School Districts</i>
2004	\$0	\$0	\$0
2005	\$2,093,000	\$0	(\$139,411,000)
2006	\$2,942,000	(\$139,411,000)	(\$6,971,000)
2007	\$3,553,000	(\$146,382,000)	(\$7,319,000)
2008	\$5,491,000	(\$153,701,000)	(\$7,685,000)

Fiscal Analysis

This bill would increase the school property tax exemption on the homesteads of persons who are disabled or are aged 65 or older to \$20,000 from \$10,000.

Methodology

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. Passage of this bill could cause a change in school district taxable

values reported to the Commissioner of Education by the Comptroller and an increase in state costs to the Foundation School Fund.

The Comptroller's office used the reported 2001 school district losses related to the existing \$10,000 65-or-over and disabled homestead exemption as the basis for calculating an absorption factor to account for the fact that the value of some homesteads is too low to absorb all of the proposed \$20,000 exemption. The maximum potential loss was calculated based on the reported number of 65-or-over and disabled homesteads times \$10,000. The absorption factor was applied to the maximum potential loss to estimate the loss to the proposed exemption.

The reported school tax rates were used to calculate the total 2001 ISD levy loss. Cities, counties, and special districts would be unaffected.

Losses were trended upward over the projection period at 5 percent per year to account for increases in the eligible population, property value, and tax rates. School district losses would be offset by state losses after a one-year lag through the operation of the school funding formula.

The Comptroller's office estimated the dynamic tax feedback effects which are shown only with respect to the gain incurred by the General Revenue Fund 0001.

Local Government Impact

The impact on units of local government are shown in the above tables.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

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