

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: HB3218 by West, George "Buddy" (Relating to the partial exemption of certain wind energy devices from ad valorem taxation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3218, 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	(\$15,199,710)
2007	(\$15,655,701)
2008	(\$16,125,372)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Counties</i>
2004	\$0	\$0	\$0	\$0
2005	\$0	(\$15,199,710)	(\$4,817,584)	(\$5,245,765)
2006	(\$15,199,710)	(\$455,991)	(\$4,962,111)	(\$5,403,138)
2007	(\$15,655,701)	(\$469,671)	(\$5,110,974)	(\$5,565,232)
2008	(\$16,125,372)	(\$483,761)	(\$5,264,304)	(\$5,732,189)

Fiscal Analysis

This bill would add wind energy producing devices or facilities to the definition of pollution control property for purposes of qualifying property for property tax exemptions.

The Tax Code currently permits an exemption for solar or wind-powered energy devices used primarily for production distribution of energy for on-site use.

Methodology

The Public Utility Commission estimates that \$1 billion has been spent on wind farm construction. It

is assumed that all these properties would become eligible for property tax exemptions under the proposed bill. Since the bill language was not specific, the Texas Commission on Environmental Quality could not determine if the property would be eligible for a full or partial exemption. For purposes of this fiscal note, it is assumed that the property would be eligible for a full exemption. The base amount of \$1 billion 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 impact to units of local government are reflected in the above tables.

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality

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