

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 28, 2003

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: HJR21 by Hamric (Proposing a constitutional amendment to prohibit an increase in the total amount of school district ad valorem taxes that may be imposed on the residence homestead of a disabled person.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR21, As Passed 2nd House: a negative impact of (\$85,275) 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	(\$85,275)
2005	\$0
2006	(\$2,699,000)
2007	(\$2,861,000)
2008	(\$3,033,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193	Probable Revenue Gain/ (Loss) from School Districts
2004	(\$85,275)	\$0	\$0
2005	\$0	\$0	(\$2,699,000)
2006	\$0	(\$2,699,000)	(\$162,000)
2007	\$0	(\$2,861,000)	(\$172,000)
2008	\$0	(\$3,033,000)	(\$182,000)

Fiscal Analysis

This resolution would propose a constitutional amendment to extend the current school property tax limitation ("tax freeze") for residence homesteads to disabled persons.

The proposed amendment would be submitted to the voters at an election to be held September 13, 2003. The amendment would take effect beginning with the 2004 tax year.

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 resolution 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.

Adoption of the proposed amendment would extend the school district tax ceiling on homesteads of the elderly (tax freeze) to the disabled. The fiscal impact is based on information reported by school districts to the Comptroller's office. The base year for the proposed disabled freeze would be tax year 2003. The first freeze loss would occur in tax year 2004 (fiscal 2005).

The historical value lost to the school district 65-and-over tax freeze was trended over the projection period. The reported number of disabled exemptions was compared to the number of 65-and-over exemptions to develop a percentage of disabled to 65-and-over exemptions. That percentage was multiplied by the projected value lost to the 65-and-over tax freeze to derive the estimated loss to the disabled tax freeze, as if the disabled tax freeze had always been available under current law. This hypothetical disabled tax freeze was trended upward over the projection. Each year's incremental loss to the disabled tax freeze was estimated by subtracting each year's projected loss from the next year's projected loss.

The incremental losses to the disabled freeze represent the school district value loss. The weighted average school tax rate was applied to the incremental loss to the disabled tax freeze to estimate the school district loss. School district losses are absorbed by the state after a one-year lag, through the operation of the school funding formulas.

The cost to the state for publication of the resolution is \$85,275.

Local Government Impact

The impact to units of local government is shown in the above tables.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JK, JO, SD, WP, DLBe