

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: HJR38 by Gutierrez (Proposing a constitutional amendment to prohibit increases in ad valorem taxes imposed by a political subdivision other than a hospital district on the residence homestead of a disabled person, an elderly person, or an elderly person's surviving spouse.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR38, As Introduced: 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 (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable (Cost) from <i>FOUNDATION SCHOOL FUND</i> 193	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Cities</i>
2004	(\$85,275)	\$0	\$0	\$0
2005	\$0	\$0	(\$2,699,000)	(\$10,835,000)
2006	\$0	(\$2,699,000)	(\$162,000)	(\$11,486,000)
2007	\$0	(\$2,861,000)	(\$172,000)	(\$12,175,000)
2008	\$0	(\$3,033,000)	(\$182,000)	(\$12,905,000)

Fiscal Year	Probable Revenue (Loss) from <i>Counties</i>
2004	\$0
2005	(\$6,209,000)
2006	(\$6,582,000)
2007	(\$6,977,000)
2008	(\$7,396,000)

Fiscal Analysis

The resolution would propose an amendment to Article VIII of the Texas Constitution to extend the school district property tax limitation on homesteads of the elderly to the disabled and to all taxing units except hospital districts. Once a person received a 65-or-over or disabled homestead exemption, the property taxes for each taxing unit could not increase as long as the person owned and lived in that home. Taxes could go below the ceiling, but they could not rise above the ceiling.

Methodology

The Comptroller's staff estimated the fiscal impact based on information reported by school districts, cities, and counties. The proposed new disabled, county, and city freeze would occur in tax year 2003; and 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. Each year's incremental loss to the tax freeze was estimated by subtracting each year's projected loss from the next year's projected cost.

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 times 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 loss was trended upward over the projection period. 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 65-and-over tax freeze and the disabled tax freeze were summed to obtain the total state-wide value loss to counties. A factor of 0.751, representing the amount of statewide residential value inside city limits, was applied to estimate the city loss. The appropriate weighted average tax rates were applied to derive the county and city revenue losses. 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 creating a state loss. In addition to the amounts in the above tables, special districts other than hospital districts would incur some cost.

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

Local Government Impact

The impacts on units of local government are reflected in the above tables.

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

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