

**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: HJR57** by Elkins (Proposing a constitutional amendment to require an annual adjustment of the amount of the residence homestead exemption from ad valorem taxation for public school purposes for persons 70 years of age or older to correspond to the average market value of a single-family residence in this state.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds for HJR57, 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	\$8,681,000
2007	(\$547,918,000)
2008	(\$573,453,000)

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

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	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	(\$85,275)	\$0	\$0	\$0
2005	\$0	\$0	\$0	\$0
2006	\$0	\$8,681,000	\$0	(\$559,909,000)
2007	\$0	\$11,991,000	(\$559,909,000)	(\$27,995,000)
2008	\$0	\$14,452,000	(\$587,905,000)	(\$29,395,000)

**Fiscal Analysis**

This resolution would propose an amendment to exempt from property taxation for a person 70 years of age or older an amount equal to the average market value of a single-family residence in Texas in the previous tax year, as determined by the Comptroller. The exemption would apply to any tax year beginning on or after January 1, 2005.

## **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 total Texas population aged 65 or over, as well as the population aged 70 or over, were obtained from 2000 Census Bureau information. The ratio of the 70-or-over population to the 65-or-over population was calculated and applied to the total number of 65-or-over exemptions to estimate the number of 70-or-over exemptions that would be created by this bill.

The average single family home value was calculated from 2002 school district reports and then reduced by a factor to account for the fact that older homeowners tend to own lower than average value homes.

The estimated average 70-or-over home value was reduced by the estimated average exemptions available under current law, including the loss to the 65-or-over tax ceiling, the loss to the \$15,000 and \$10,000 homestead exemptions, and the loss to the optional 65-or-over exemption. The remainder represents the average homestead value available for exemption under the bill.

The average remainder was multiplied by the estimated number of 70-or-over homesteads to yield the estimated total value loss. The state weighted average school tax rate was applied to the estimated total value loss to estimate the school district levy loss. A trend factor was applied to account for increases in property value, the 70-or-over population, and tax rates. Cities, counties, and special districts would not be affected. School districts would incur losses beginning in fiscal 2006. The state would incur losses beginning in fiscal 2007 as the funding formula reimburses school districts after a one-year lag.

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

## **Local Government Impact**

The impact to local school districts is shown in the above tables.

**Source Agencies:** 304 Comptroller of Public Accounts

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