

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 8, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HJR81 by Elkins (Proposing a constitutional amendment to require automatic annual adjustments of the amount of the residence homestead exemption from ad valorem taxation for public school purposes to correspond to annual increases in the market value of the residence homestead for ad valorem tax purposes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR81, As Introduced: a positive impact of \$20,359,725 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	\$20,445,000
2006	(\$826,416,000)
2007	(\$1,162,524,000)
2008	(\$1,200,601,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/ (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>
2004	\$0	(\$85,275)	\$0	\$0
2005	\$20,445,000	\$0	\$0	(\$864,645,000)
2006	\$38,229,000	\$0	(\$864,645,000)	(\$345,858,000)
2007	\$47,980,000	\$0	(\$1,210,504,000)	(\$60,525,000)
2008	\$70,428,000	\$0	(\$1,271,029,000)	(\$63,551,000)

Fiscal Analysis

This bill would increase the school district resident homestead exemption by an amount equal to any increase in the market value of that residence homestead over the preceding tax year not attributable to new improvements to the property.

Methodology

A projected growth rate was compared to the recent historical growth rate to predict a fiscal 2003 loss

under current law. The total predicted loss under the proposed exemption increase was estimated by increasing the predicted fiscal 2003 loss by the ratio of the proposed exemption to the old exemption. The predicted fiscal 2003 loss was subtracted from the total predicted loss under the proposed exemption to estimate the incremental loss. The predicted fiscal 2003 loss was used as a base to project future losses.

Losses were phased in over the first two years and trended at 5 percent through the projection period to account for value and rate increases. School district losses would shift to the state after a one-year lag through the operation of the school funding formulas.

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.

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

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, SD, WP, DLBe