

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATURE 1st CALLED SESSION - 2005**

**July 12, 2005**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

**FROM:** John S. O'Brien, Deputy Director, Legislative Budget Board

**IN RE: SB25** by Janek (Relating to authorizing the governing body of a taxing unit to establish for purposes of ad valorem taxation by the taxing unit a lower limit on increases in the appraised value of residence homesteads in the taxing unit.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB25, As Introduced: an impact of \$0 through the biennium ending August 31, 2007.

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
2006	\$0
2007	\$0
2008	(\$223,906,000)
2009	(\$422,658,000)
2010	(\$642,270,000)

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

Fiscal Year	Probable Revenue (Loss) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Counties</i>	Probable Revenue (Loss) from <i>Cities</i>
2006	\$0	\$0	\$0	\$0
2007	\$0	(\$223,906,000)	(\$31,037,000)	(\$28,725,000)
2008	(\$223,906,000)	(\$198,752,000)	(\$31,777,000)	(\$29,254,000)
2009	(\$422,658,000)	(\$219,612,000)	(\$32,517,000)	(\$29,782,000)
2010	(\$642,270,000)	(\$114,049,000)	(\$33,258,000)	(\$30,311,000)

**Fiscal Analysis**

The bill would allow taxing units to reduce the limit on the growth in the appraised value of a homestead from 10 percent to 3 percent per year since the last reappraisal. The value used for the last reappraisal would be set at the tax year 2005 value.

**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 would cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

This analysis assumes that all taxing units would adopt the reduced appraisal limit and is contingent on passage of a constitutional amendment.

The analysis prepared by the Comptroller's office was based on 2003 and 2004 appraisal roll information reported electronically by appraisal districts. The percent change in value from tax year 2003 to 2004 for each of 5.6 million real properties that were listed on the appraisal roll in both years was calculated; and the results were sorted by percent change. The value loss resulting from the proposed limitation was calculated for properties that increased in value more than 3 percent. Value lost to the existing 10 percent value limitation on homestead property was excluded. The value loss was adjusted in the second and succeeding years of the analysis to reflect multi-year appraisal cycles and the holdover of capped property from one year to the next based on historical data from the existing 10 percent cap.

The projected city, county, and school district tax rates were applied to the value losses in each year to estimate their respective levy losses.

Because of the operation of the school funding formula, school district losses would be incurred by the state after a one-year lag. After the first year, school districts would incur only each year's incremental loss.

### **Local Government Impact**

In addition to the amounts shown above for units of local government, special districts could also incur a revenue loss.

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

**LBB Staff:** JOB, SD, WP, DLBe