

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 79TH LEGISLATURE 3rd CALLED SESSION - 2006

May 8, 2006

**TO:** Honorable Jim Keffer, Chair, House Committee on Ways & Means

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

**IN RE: HB152** by Wong (Relating to authorizing the governing body of a school district to establish for purposes of ad valorem taxation by the district a limitation on increases in the appraised value of real property in the district that is less than 10 percent but not less than five percent.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB152, 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
2007	\$0
2008	\$0
2009	(\$459,230,000)
2010	(\$554,055,000)
2011	(\$612,767,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193	Probable Revenue Gain/(Loss) from School Districts
2007	\$0	\$0
2008	\$0	(\$459,230,000)
2009	(\$459,230,000)	(\$94,825,000)
2010	(\$554,055,000)	(\$58,712,000)
2011	(\$612,767,000)	(\$29,199,000)

Fiscal Analysis

The bill would amend Section 23.23 of the Tax Code to allow school districts to adopt a limit of not less than five percent on the maximum annual percentage increase in the appraised value of real property.

If the school district adopted a percentage limit lower than the percentage in place at the time of adoption, the lower percentage limit would apply.

Current law limits maximum annual percentage increases in the appraised value of a residence homestead for all taxing units to 10 percent.

The bill would amend Chapter 403 of the Government Code to require the Comptroller to deduct the value loss attributable to the proposed reduction from a school district's taxable value for purposes of calculating state funding to school districts.

The provisions in the bill would take effect January 1, 2007, contingent upon passage of a constitutional amendment authorizing school districts to adopt such a limitation.

**Methodology**

The bill would expand the value limitation from homesteads to all real property, and it would allow school districts the option of imposing a limit on the growth in real property appraised value of any percentage from just below 10 percent to five percent per year since the last reappraisal.

Because the bill would not require any school district to impose an appraisal cap on all real property, and because the future actions of school boards cannot be predicted, the likely fiscal impact cannot be estimated. For informational purposes, the table below shows the hypothetical cost to school districts and the state if every school district adopted a five percent appraisal cap on all real property effective January 1, 2007.

The analysis was based on appraisal roll information reported electronically by appraisal districts. The year-to-year percent change in value for each of 5.6 million real properties that were listed on the appraisal roll in two succeeding 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 five 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.

School district tax rates were applied to the value losses in each year to estimate the levy losses. There would be no losses from any other taxing units.

**Local Government Impact**

This analysis assumes all school districts would adopt the reduced appraisal limit at five percent. 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.

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

**LBB Staff:** JOB, SD, SJS