

LEGISLATIVE BUDGET BOARD
Austin, Texas

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

April 19, 2006

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

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

IN RE: SJR7 by Ogden (Proposing a constitutional amendment establishing a maximum school district ad valorem tax rate for maintenance purposes, providing that an ad valorem tax imposed by a school district is not a state ad valorem tax, authorizing the legislature to set a lower limit on increases in the appraised value of a residence homestead for purposes of ad valorem taxation by a school district, and increasing the residence homestead exemption from ad valorem taxation for public school purposes and correspondingly adjusting the limitation on ad valorem taxes imposed for those purposes on the homesteads of the elderly or disabled.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SJR7, As Introduced: a negative impact of (\$99,767) 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	(\$99,767)
2008	\$0
2009	(\$497,733,000)
2010	(\$498,592,000)
2011	(\$499,250,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/(Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain/ (Loss) from <i>School Districts</i>
2007	(\$99,767)	\$0	\$0
2008	\$0	\$0	(\$5,065,481,500)
2009	\$0	(\$497,733,000)	(\$5,294,727,400)
2010	\$0	(\$498,592,000)	(\$5,535,192,100)
2011	\$0	(\$499,250,000)	(\$5,787,510,800)

Fiscal Analysis

The resolution addresses ad valorem tax rates, appraisal growth caps, and provides for an increased homestead exemption.

Section 1 of the resolution provides for a maximum ad valorem tax rate for school district operations of \$1.15 per \$100 of valuation. The resolution stipulates that the tax is not a state ad valorem tax within Section 1-e Article VIII of the Texas state constitution.

Section 2 of the resolution authorizes the Legislature to reduce the current maximum rate of property value appraisal increase from 10 percent to 5 percent.

Section 3 of the resolution increases the current \$15,000 homestead exemption by \$7,500 to \$22,500.

The resolution directs that the proposed constitutional amendment be set before the voters on November 7, 2006. Provided that the voters approve the amendment, the provisions described above take effect on January 1, 2007, and apply to that tax year.

Methodology

Local revenue reduction due to the maximum tax rate reduction is \$4.6 million in FY 2008 growing to \$5.3 billion in FY 2011. The resolution does not speak to a replacement of this local revenue. The state cost would depend on the enabling legislation affecting school funding formulas.

The provision relating to the rate of appraisal increase is not self-enabling, and therefore does not have a fiscal impact within the context of this estimate.

In conjunction with the tax rate reduction described above, the provision increasing the local homestead exemption would reduce local revenue by \$497 million in FY 2008, increasing to \$500 million in FY 2011. There would be a corresponding cost to the Foundation School Program beginning the year following the increase in the exemption.

The net effect of the homestead exemption increase and the maximum tax rate reduction results in the amounts reflected in the tables above; local revenue is reduced by \$5.1 billion in FY 2008 increasing to \$5.8 billion in FY 2011.

The cost of publication of the constitutional amendment would be \$99,767.

Local Government Impact

Local school districts would be effected by the local revenue reductions described above.

Source Agencies:

LBB Staff: JOB, SD, WP, SJS, UP