

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

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

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

IN RE: **HB483** by Isett (Relating to an exemption from ad valorem taxation of property used as a child-care facility.), **As Introduced**

Estimated Two -year Net Impact to General Revenue Related Funds for HB483, 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	(\$3,024,070)
2009	(\$3,167,713)
2010	(\$3,318,813)

All Funds, Five -Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Counties</i>
2006	\$0	\$0	\$0	\$0
2007	\$0	(\$3,024,070)	(\$1,063,890)	(\$701,366)
2008	(\$3,024,070)	(\$143,643)	(\$1,114,424)	(\$734,680)
2009	(\$3,167,713)	(\$151,100)	(\$1,167,582)	(\$769,725)
2010	(\$3,318,813)	(\$165,609)	(\$1,225,845)	(\$808,134)

Fiscal Analysis

The bill would create a property tax exemption for certain entities providing child -care services.

The bill would exempt from property taxation the real and personal property owned by a child -care facility if the property were used exclusively for providing developmental and educational services and the property were necessary for operation of the facility. To qualify for the exemption, an entity would have to meet Texas Rising Star Provider criteria or be accredited by a nationally recognized child-care or early childhood education accrediting organization approved by the Texas Workforce Commission and the Department of Protective and Regulatory Services.

Methodology

The Texas Workforce Commission reported that 2,007 Texas child-care facilities have either Texas Rising Star certification or accreditation from the National Association for the Education of Young Children or the National Association for Family Child Care. Approximately 6 percent are family homes. It was assumed that family home child-care facilities or approximately 120 would not receive the exemption. It was also assumed that 25 percent or 472 of the eligible facilities would be non-profit centers and already exempt from property taxes. The property value for the average facility is estimated to be \$125,000. This base amount was trended upward each year based on historical property value increases. The statewide average tax rates for school districts, counties and cities were then applied to the estimated property values to calculate the amount of the exemption.

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. It is assumed that the state would reimburse school districts for their total levy losses, including losses for this exemption, after a one-year lag.

Local Government Impact

In addition to the amounts in the above tables, special districts would also realize a reduction in taxable property values and the related ad valorem tax revenue.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, DLBe