

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 31, 2007

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

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

IN RE: HB5 by Berman (Relating to providing for a reduction of the limitation on the total amount of ad valorem taxes that may be imposed by a school district on the residence homesteads of the elderly or disabled to reflect any reduction in the school district's tax rate and protecting a school district against any resulting loss in local revenue.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB5, As Engrossed: a negative impact of (\$276,287,000) through the biennium ending August 31, 2009.

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
2008	(\$134,774,000)
2009	(\$141,513,000)
2010	(\$148,589,000)
2011	(\$156,018,000)
2012	(\$163,819,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193	Probable Revenue Gain/(Loss) from School Districts
2008	(\$134,774,000)	(\$134,774,000)
2009	(\$141,513,000)	(\$141,513,000)
2010	(\$148,589,000)	(\$148,589,000)
2011	(\$156,018,000)	(\$156,018,000)
2012	(\$163,819,000)	(\$163,819,000)

Fiscal Analysis

The bill would amend Section 11.26 of the Tax Code to reduce the amount of the 65-and-over school property tax limitation to reflect any reduction in school property taxes from the preceding tax year.

The bill would reduce the limitation to reflect reductions in school district tax rates for the 2005 and 2006 tax years and would take effect on the date that the constitutional amendment authorizing the reduction in the school property tax limitation would take effect.

Methodology

The average taxable value of a 65-and-over homestead was estimated for each year from 1984 through 2007. The statewide school district weighted average tax rate was applied in each year to estimate the typical tax limitation in each year. The percentage rate reduction from 2006 and 2007 was applied to estimate the typical cost of reducing the tax limitation proportionally to the rate reductions in each year.

The costs were stratified in five-year groups and an average cost was estimated for each group. The average cost for each five-year group was multiplied by the number of 65-and-over homesteads and by the Census Bureau's percentage of 65-and-over taxpayers in each five-year group to estimate the total cost to school districts in each five-year group.

The total cost in each five-year group was summed to estimate the initial statewide total cost to school districts and trended through the projection period. Future tax rate reductions would impose additional costs. Because future tax rate reductions cannot be predicted, these future costs cannot be estimated.

Local Government Impact

The bill would amend Section 403.302 of the Government Code and Section 42.2511 of the Education Code to require the Comptroller to deduct the school district loss in the property value study and to require the Texas Education Agency to increase formula funding to school districts to properly offset their losses.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: JOB, JGM, CT, SD, SJS, UP