

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**February 14, 2007**

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

**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 Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB5, As Introduced: 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
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:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193</b>	<b>Probable Revenue Gain/(Loss) from School Districts</b>
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.

The bill is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the equalized yield on those enrichment pennies would decrease, resulting in a decrease in state aid.

### **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.

As noted above, to the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner, the equalized yield on those enrichment pennies would decrease, resulting in a decrease in state aid.

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

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