

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 16, 2007

TO: Honorable Rob Eissler, Chair, House Committee on Public Education

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

IN RE: HB2785 by Paxton (Relating to property tax relief.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2785, As Introduced: a negative impact of (\$2,528,000,000) 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	(\$1,264,000,000)
2009	(\$1,264,000,000)
2010	(\$1,264,000,000)
2011	(\$1,264,000,000)
2012	(\$1,264,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2008	(\$1,264,000,000)
2009	(\$1,264,000,000)
2010	(\$1,264,000,000)
2011	(\$1,264,000,000)
2012	(\$1,264,000,000)

Fiscal Analysis

Starting in FY2008, the bill would reduce the state compression percentage from 66.67% to 60.67%, increasing the level of state funding for school district property tax relief. The bill would maintain that percentage for each year thereafter.

The bill would take effect on September 1, 2007.

Methodology

Under current law, the state cost of property tax relief has been estimated at the statutory level of 66.67% for FY2008, and that percentage has been assumed for the subsequent years. In comparison to that assumption, the compression percentage under the bill's provisions of 60.67% would increase the state cost of property tax relief by an estimated \$1.264 billion in FY2008, and by a roughly equivalent

amount each year thereafter.

Local Government Impact

School districts would experience reduced maintenance and operations tax rates, and receive increased state aid to replace lost tax collections.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, UP, JGM