

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 2, 2007

TO: Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

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

IN RE: SB270 by Wentworth (Relating to mandatory sales price disclosure in real property sales; providing a civil penalty.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB270, Committee Report 1st House, Substituted: a positive impact of \$5,790,000 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	\$0
2009	\$5,790,000
2010	\$49,515,000
2011	\$81,130,000
2012	\$87,594,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from FOUNDATION SCHOOL FUND 193	Probable Revenue Gain/(Loss) from School Districts - Initial Impact	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Cities
2008	\$0	\$0	\$0	\$0
2009	\$5,790,000	\$6,938,000	\$2,338,000	\$2,047,000
2010	\$49,515,000	\$58,932,000	\$19,872,000	\$17,286,000
2011	\$81,130,000	\$93,859,000	\$31,663,000	\$27,367,000
2012	\$87,594,000	\$99,643,000	\$33,626,000	\$28,882,000

Fiscal Analysis

The bill would add a new section to Chapter 12 of the Property Code, relating to mandatory sales price disclosure in real property sales. The bill would require a person to disclose the sales price of a parcel of real property as part of the filing of record with the county clerk pursuant to a contract of sales transaction. The bill would allow the Attorney General or the county or district attorney to bring suit against a purchaser who failed to include the sales price with recordation of the real property conveyance for a civil penalty for each violation equal to 5 percent of the sales price of the property.

The bill would take effect September 1, 2007.

Methodology

The amount of property value gain was based on a survey of large appraisal districts. The appraisal districts' methodology for estimating gains is unknown. The median percent increase in property value was applied to the state total property value to estimate the statewide property value gain.

The disclosure requirement would begin on September 1, 2007, so the first affected tax year would be 2008 and the first effect on taxing units would be in fiscal year 2009. The fiscal year 2009 effect would be diminished because only a partial year's information would be available. Also, the state only requires reappraisal once every third year, so the full effect of the bill would not be realized until fiscal year 2011. In this estimate the gain was implemented in increments of one third per year. The gain was reduced because certain sales information required in the appraisal process was not required.

Values and tax rates were trended through the projection period. No information was available to estimate special district gains. The appropriate county, city, and school district tax rates were applied to the value gains to project their respective revenue gains. In addition to the gain to cities and counties, this estimate shows the initial gain to school districts, the gain to the state through the operation of the hold harmless provision of House Bill 1, Third Called Session, Seventy-ninth Legislature, 2006, the gain to the state from reduced facilities funding, and the total state gain.

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 increasing 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 increase resulting in an increase in state aid.

Local Government Impact

The initial impact on school districts shown in the table above is provided for illustrative purposes only. The mechanics of the school finance system would likely transfer the fiscal impact to districts' Maintenance and Operations revenue to the state, resulting in a zero or negligible fiscal impact to the school districts. However, districts would experience a one-year lag between the loss of Interest and Sinking revenue due to the provisions of the bill and the corresponding increase in state aid for debt service, which would occur the following year.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 329 Real Estate Commission

LBB Staff: JOB, SD, SJS, DB