

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION
Revision 1

April 22, 2007

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

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

IN RE: SB1099 by Patrick, Dan (Relating to a local option election in Harris County to set a limitation of not less than three percent on the maximum average annual increase in the appraised value of residence homesteads for purposes of ad valorem taxation by each political subdivision in the county.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1099, As Introduced: a negative impact of (\$26,411,000) 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	(\$26,411,000)
2010	(\$54,524,000)
2011	(\$82,807,000)
2012	(\$85,988,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts - Initial Impact</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2008	\$0	\$0	\$0	\$0
2009	(\$26,411,000)	(\$31,654,000)	(\$11,517,000)	(\$9,247,000)
2010	(\$54,524,000)	(\$63,573,000)	(\$23,303,000)	(\$18,589,000)
2011	(\$82,807,000)	(\$95,761,000)	(\$35,358,000)	(\$28,026,000)
2012	(\$85,988,000)	(\$97,772,000)	(\$36,358,000)	(\$28,639,000)

Fiscal Analysis

Contingent on the passage of a constitutional amendment, the proposed bill would amend Section 23.23 of the Tax Code to allow the Harris County Commissioners Court to call an election to permit Harris County voters to decide whether Harris County Appraisal District should be required to limit the growth in the appraised value of homesteads to a percentage other than the current 10 percent but not less than 3 percent per year since the last reappraisal. For informational purposes, this analysis assumes that Harris County voters would require the appraisal district to limit homestead value growth to 3 percent per year since the last reappraisal.

The provisions in the bill would take effect January 1, 2008, contingent upon passage of a constitutional amendment authorizing the proposed reduced appraisal limitation as the bill relates to the proposed limitation.

Methodology

The analysis was based on appraisal roll information. The year to year percent change in value for residences that were listed on the appraisal roll in both years and reported to the Comptroller was calculated and the results were sorted by percent change. The value loss resulting from the proposed limitation was calculated for homesteads that increased in value more than three percent. Value lost to the existing ten percent value limitation on homestead property was excluded. The value loss was adjusted in the second and succeeding years of the analysis to reflect multi-year appraisal cycles and the holdover of capped property from one year to the next based on historical data from the existing ten percent cap.

The projected city, county, and school district tax rates were applied to the value losses in each year to estimate their respective levy losses. The initial cost to school districts is shown, along with the cost of the hold harmless feature of HB 1, 3rd called session, 79th Legislature, the cost of state facilities funding, and the total state cost. Information to estimate the effect on other taxing units was not available.

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' M&O 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 I&S 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:

LBB Staff: JOB, CT, KJG, SD, SJS