

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 8, 2007

TO: Honorable Joe Deshotel, Chair, House Committee on Economic Development

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

IN RE: SB1105 by Watson (Relating to the Texas Economic Development Act, including the eligibility of property for economic benefits authorized by that Act.), **As Engrossed**

Passage of the bill would result in property value limitations for "data centers" and "the headquarters of a business." As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill would amend Chapter 313 of the Tax Code to add "data centers" and "the headquarters of a business" to the list of property uses eligible for a value limitation.

The bill would change the definition of "qualified job" to mean a full-time job that pays at least 110 per cent of the lesser of: 1) the county average weekly wage for manufacturing jobs in the county where the job is located; or 2) the average weekly wage in the county where the job is located.

"Average weekly wage in the county where the job is located," would mean the average weekly wage for all covered employment in the county as computed by the Texas Workforce Commission.

"Data centers" would be defined as establishments primarily engaged in providing data processing and storage services described in North American Industry Classification System (NAICS) categories 518210 and 541513.

"Headquarters of a business" would be defined as the single location that serves as the national administrative center of the business and at which are located the primary office of the chief executive officer of the business and the offices of the management officials responsible for key business-wide functions, including finance, legal marketing, and human resources functions.

Currently, school districts may grant value limitations to applicants that use their property for one of several specified purposes and meet other requirements. The value limitation reduces the taxpayers' school district maintenance and operations tax liability. The state holds school districts harmless for the tax levy loss.

The change in the definition of "qualifying job" could expand the number of projects that would qualify for a limitation on appraised value under Chapter 313. Likewise, the addition of the headquarters of a business and establishments primarily engaged in providing services described by NAICS categories 518210 and 541513 to the list of eligible property uses would increase the number of projects receiving value limitations, but the extent—and timing—of any such projects cannot be predicted. To the degree that school district tax levies were reduced under the bill, there would be an initial cost to school districts and a cost to the state through the operation of the school finance system. This cost, however, 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.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Eligibility for a limitation on appraised value under this bill would take effect January 1, 2008.

Local Government Impact

To the degree that school district tax levies were reduced under the bill, there would be an initial cost to school districts.

Source Agencies: 304 Comptroller of Public Accounts

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