

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 22, 2007

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

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

IN RE: SJR10 by Janek (Proposing a constitutional amendment authorizing the governing body of a political subdivision to establish for purposes of ad valorem taxation by the political subdivision a limit on the maximum average annual percentage increase in the appraised value of residence homesteads in the political subdivision.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SJR10, As Introduced: a negative impact of (\$82,611,468) 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	(\$82,611,468)
2010	(\$170,385,000)
2011	(\$258,770,000)
2012	(\$268,715,000)

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	(\$82,611,468)	(\$98,920,000)	(\$33,874,000)	(\$29,656,000)
2010	(\$170,385,000)	(\$198,665,000)	(\$68,539,000)	(\$59,617,000)
2011	(\$258,770,000)	(\$299,253,000)	(\$103,996,000)	(\$89,885,000)
2012	(\$268,715,000)	(\$305,538,000)	(\$106,935,000)	(\$91,850,000)

Fiscal Analysis

The resolution would propose an amendment to Article VIII of the Texas Constitution to authorize the governing body of a taxing unit to adopt an annual property tax limitation value increase limitation for residence homestead property. The limitation would be for an annual percentage increase of not less than 3 percent.

The proposed amendment would be submitted to voters at an election to be held November 6, 2007.

Methodology

The proposed constitutional amendment would be self-enacting; it would allow taxing units to reduce the limit on the growth in the appraised value of a homestead from 10 percent to any percentage below 10 percent but not less than 3 percent per year since the last reappraisal. This analysis assumes that half of the taxing units would adopt the reduced appraisal limit at 3 percent.

The analysis was based on appraisal roll information reported electronically by appraisal districts. The year to year percent change in value for each of 1.3 million properties that were listed on the appraisal roll in both years 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 3 percent. Value lost to the existing 10 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. Information to estimate the effect on other special taxing units was not available.

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 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.

The cost to the state for publication of the resolution is \$77,468.

Local Government Impact

Passage of the bill would authorize the governing body of a taxing unit to adopt an annual property tax value limitation increase of not less than 3 percent for residence homestead property. For illustrative purposes, this analysis assumes that half of the taxing units would adopt the reduced appraisal limit at 3 percent. The actual costs would depend on actions taken by the governing body of taxing units.

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

LBB Staff: JOB, CT, SD, SJS