

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 17, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: HB46 by Riddle (Relating to a local option election in a county to set a limit on the maximum appraised value of a residence homestead for ad valorem tax purposes of less than 110 percent but not less than 103 percent of the appraised value of the property for the preceding tax year.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB46, As Introduced: a negative impact of (\$73,092,000) through the biennium ending August 31, 2011.

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
2010	\$0
2011	(\$73,092,000)
2012	(\$143,152,000)
2013	(\$334,203,000)
2014	(\$486,994,000)

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 - Net Impact</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2010	\$0	\$0	\$0	\$0
2011	(\$73,092,000)	(\$24,317,000)	(\$28,585,000)	(\$32,639,000)
2012	(\$143,152,000)	(\$39,365,000)	(\$53,165,000)	(\$60,544,000)
2013	(\$334,203,000)	(\$102,108,000)	(\$126,138,000)	(\$143,268,000)
2014	(\$486,994,000)	(\$133,263,000)	(\$177,947,000)	(\$201,591,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code to authorize a local option election for the voters of a county to authorize a limit on the annual increase in the appraised value of a residence homestead. Instead of the current 10 percent per year limit, the local option limit could range from 3 percent up to 10 percent. The local option limit would apply to all taxing units in the county.

The bill would be effective January 1, 2010, contingent on the passage of a constitutional amendment (HJR 15).

Methodology

Contingent on the passage of a constitutional amendment, the bill would authorize a county election to require the county's appraisal district to reduce the limit on the growth in the appraised value of a residence homestead from 10 percent to a percentage ranging from 3 percent up to 10 percent per year. Because the actions of voters cannot be predicted, the actual costs cannot be estimated.

For illustrative purposes only, the costs shown herein are based on the assumption that voters in each Texas county would approve a 3 percent limitation. The analysis was based on appraisal roll information reported electronically by appraisal districts. The year to year percent change in homestead values that were listed on the appraisal roll in each of the two most recent 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 10 percent cap. The value loss was also reduced to reflect the expected slowdown of growth in the housing market in fiscal 2010 and 2011, then increased to reflect housing market recovery. The projected city, county, and school district tax rates were applied to the value losses in each year to estimate their respective levy losses.

Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), the portion of the cost related to school district compressed rates is transferred to the state. A portion of the school district debt and enrichment costs is also transferred to the state after a one-year lag because of the operation of the funding formulas. All costs were estimated over the five year projection period.

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 growth of the equalized yield on those enrichment pennies would slow, resulting in slower growth in state aid.

Local Government Impact

Contingent on the passage of a constitutional amendment, the bill would authorize a county election to require the county's appraisal district to reduce the limit on the growth in the appraised value of a residence homestead from 10 percent to a percentage ranging from 3 percent up to 10 percent per year. Because the actions of voters cannot be predicted, the actual costs cannot be estimated. However, for illustrative purposes only, the costs shown in the table above are based on the assumption that voters in each Texas county would approve a 3 percent limitation.

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

LBB Staff: JOB, MN, SD, SJS