

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 8, 2009**

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

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

**IN RE: HB702** by Heflin (Relating to the eligibility of school districts in certain counties to enter into agreements under the Texas Economic Development Act.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB702, As Introduced: an impact of \$0 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2010	\$0
2011	\$0
2012	\$0
2013	(\$4,992,000)
2014	(\$9,984,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from <i>Foundation School Fund</i> 193</b>
2010	\$0
2011	\$0
2012	\$0
2013	(\$4,992,000)
2014	(\$9,984,000)

**Fiscal Analysis**

This bill would amend Chapter 313 of the Tax Code, regarding the Texas Economic Development Act.

The bill would allow school districts to be classified as rural under Subchapter C of Chapter 313 if the school district has territory in an area that was previously designated as a strategic investment area (SIA) immediately prior to the expiration of Subchapter O of Chapter 171 of the Tax Code.

The bill also would delete a provision of the Tax Code which currently prevents school districts partially or wholly located within a metropolitan statistical area from being classified as rural under the subchapter.

This 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, 2009.

### **Methodology**

The office of the Comptroller of Public Accounts (CPA) analyzed existing Chapter 313 program data to estimate probable higher school district levy loss due to reduced property tax value limitation amounts for school districts with territory in metropolitan statistical areas, and in areas previously designated as strategic investment areas. Whether the bill would take effect immediately or on September 1, 2009, Chapter 313 projects applying during 2009 would fall under provisions of the bill if the school board executed an agreement after the effective date of the bill but before the end of the calendar year. Therefore the proposed changes in criteria for being rural under the subchapter would initially affect school district levy losses for projects beginning in property tax year (calendar year) 2010. Levy losses associated with those tax year 2010 projects appear first in tax year 2012, which would be state fiscal year 2013.

Projects beginning in tax year 2011 would create another set of levy losses starting in state fiscal year 2014. Total levy losses in fiscal year 2014 would reflect first year levy losses due to projects started in property tax year 2011 and second year losses from projects starting in tax year 2010.

The CPA estimates a fiscal year 2013 levy loss of \$4,992,000, which would be composed of \$4,368,000 from the SIA designation change and \$624,000 from the change to the definition of rural districts in metropolitan statistical areas. These estimated costs would accrue to the state as local revenue losses under the program result in increased state aid through the Foundation School Program.

### **Local Government Impact**

School district revenue from the Foundation School Program would not be significantly affected by the bill. The bill would potentially extend economic development benefits related to the Chapter 313 program to a greater number of school districts.

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

**LBB Staff:** JOB, MN, JGM, TP