

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 22, 2009

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

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

IN RE: HB742 by Flores (Relating to an exemption from ad valorem taxation of the residence homesteads of certain totally disabled veterans and to the amount of the exemption from ad valorem taxation to which a disabled veteran is entitled based on disability rating.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB742, As Introduced: a negative impact of (\$11,421,000) 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	(\$11,421,000)
2012	(\$13,884,000)
2013	(\$15,502,000)
2014	(\$17,314,000)

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	(\$11,421,000)	(\$3,800,000)	(\$4,467,000)	(\$5,100,000)
2012	(\$13,884,000)	(\$3,155,000)	(\$4,963,000)	(\$5,652,000)
2013	(\$15,502,000)	(\$3,663,000)	(\$5,541,000)	(\$6,293,000)
2014	(\$17,314,000)	(\$4,243,000)	(\$6,185,000)	(\$7,006,000)

Fiscal Analysis

The bill would implement the provisions of Section 1-b(i), Article VIII, of Texas Constitution, to authorize a totally disabled veteran to receive an exemption of 100 percent of the appraised value of the veteran's residence homestead.

In addition, the bill would conform the bracket limit points for veterans with disability ratings to the limit points provided in Section 2(b), Article VIII of the Texas Constitution.

The bill would also make conforming amendments requiring the deduction of the value lost to the new exemption in the Comptroller's property value study.

The bill would take effect January 1, 2010.

Methodology

The number of 100 percent disabled veterans that own homesteads was estimated based on information from appraisal districts and trended through the five year projection period. The number of disabled veterans in each year was multiplied by the projected average taxable value of veterans' homesteads to develop an annual taxable value loss in each year of the projection period. The applicable projected tax rates were applied to estimate the levy loss to cities and counties, and to estimate the net school district loss.

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

The bill would 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.

There would be no significant cost to conforming the disabled veteran bracket point limits to the limit points provided in Section 2(b), Article VIII of the Texas Constitution.

Local Government Impact

The fiscal implication to units of local government is reflected in the above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS