

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: HB1106** by Bohac (Relating to the limitation on increases in the appraised value of a residence homestead for ad valorem taxation by certain school districts and other taxing units in Harris County.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1106, As Introduced: a negative impact of (\$7,162,000) 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	(\$7,162,000)
2012	(\$14,742,000)
2013	(\$36,868,000)
2014	(\$57,189,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from School Districts - Net Impact
2010	\$0	\$0
2011	(\$7,162,000)	(\$2,272,000)
2012	(\$14,742,000)	(\$3,995,000)
2013	(\$36,868,000)	(\$11,057,000)
2014	(\$57,189,000)	(\$15,710,000)

Fiscal Analysis

The bill would provide for an annual limit of a 5 percent increase in the appraised value of a residence homestead taxed by a school district with a majority of its territory in Harris County. The mandatory provision would not apply to a junior college. Other taxing units in Harris County would have the option of adopting the 5 percent annual limit.

The bill would be effective January 1, 2010.

**Methodology**

Contingent on the passage of a constitutional amendment, the bill would require a reduction in the limit on the growth in the appraised value of a homestead from ten percent to five percent per year for school districts with a majority of their territory in Harris County. The reduction in the homestead appraised value growth limitation is optional for other taxing units.

The analysis was based on appraisal roll information reported electronically. The year to year percent change in value for homesteads 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 five percent. Value lost to the existing ten 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 value loss was also reduced to reflect the expected slowdown of growth in the housing market reflected in fiscal 2010 and 2011 and then increased to reflect housing market recovery. Value losses occur in proportion to the growth in the state's residential market. The projected school district tax rates were applied to the value losses in each year to estimate their levy losses. Other taxing units would incur similar losses to the extent that they choose to reduce the homestead appraised value growth limitation. The future choices of taxing units, however, cannot be predicted so these losses cannot be estimated for other taxing units.

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 are 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.

**Local Government Impact**

The fiscal implication to school districts with a majority of their territory in Harris County is reflected in the above table and is contingent upon passage of a constitutional amendment authorizing the exemption. Other taxing units with a majority of their territory in Harris County would incur similar losses to the extent that they choose to reduce the homestead appraised value growth limitation. The future choices of the other taxing units, however, cannot be predicted so these losses cannot be estimated for the other taxing units.

**Source Agencies:** 304 Comptroller of Public Accounts  
**LBB Staff:** JOB, MN, SD, SJS