

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 9, 2009

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

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

IN RE: **HJR18** by Martinez, "Mando" (Proposing a constitutional amendment increasing the amount of the residence homestead exemption from ad valorem taxation for public school purposes to \$45,000 and providing for a reduction of the limitation on the total amount of taxes that may be imposed for those purposes on the homesteads of the elderly or disabled to reflect the increased exemption amount.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR18, As Introduced: a negative impact of (\$1,410,280,882) 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	(\$90,882)
2011	(\$1,410,190,000)
2012	(\$1,606,578,000)
2013	(\$1,670,679,000)
2014	(\$1,738,105,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/ (Loss) from School Districts - Net Impact
2010	(\$90,882)	\$0	\$0
2011	\$0	(\$1,410,190,000)	(\$469,178,000)
2012	\$0	(\$1,606,578,000)	(\$351,584,000)
2013	\$0	(\$1,670,679,000)	(\$379,653,000)
2014	\$0	(\$1,738,105,000)	(\$408,818,000)

Fiscal Analysis

The resolution would propose a constitutional amendment to Article VIII of the Texas Constitution to increase the mandatory residence homestead property value exemption from taxation by school districts from \$15,000 to \$45,000.

The resolution would provide for adjustments to any tax limitations for the elderly or disabled that were established for the 2009 tax year or an earlier tax year to reflect the benefit of the increased exemption amount.

The proposed amendment would be submitted to voters at an election to be held November 3, 2009. If adopted, the provisions would be effective January 1, 2010, and would apply only to tax years beginning on or after that date. The cost to the state for publication of the resolution is \$90,882.

Methodology

The resolution would increase the school district homestead exemption from \$15,000 to \$45,000 (an additional \$30,000), and would require that tax ceilings for 65-and-over and disabled taxpayers be reduced to reflect the additional \$30,000 exemption.

Some low-value residences are appraised at less than \$30,000, so the entire amount of the new homestead exemption would not be absorbed. The gross amount of the additional homestead exemption was multiplied by an absorption factor to estimate the net value loss to the additional \$30,000 exemption, including the loss to tax ceiling reductions. The value loss was trended through the projection period, and trended school district tax rates were applied to estimate the cost of the exemption.

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. There would be no losses to taxing units other than the state and school districts.

The resolution 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 resolution 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

The fiscal implication to school districts is reflected in the table above. There would be no fiscal implication to taxing units other than the state and school districts.

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