

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 10, 2009

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

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

IN RE: HJR40 by Guillen (Proposing a constitutional amendment authorizing the governing body of a political subdivision to adopt a local option residence homestead exemption from ad valorem taxation of not less than \$5,000 or more than \$30,000.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR40, As Introduced: a negative impact of (\$25,362,382) 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	(\$25,271,500)
2012	(\$25,777,000)
2013	(\$26,421,500)
2014	(\$27,082,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/ (Loss) from <i>Foundation School Fund</i> 193	Probable Revenue Gain/ (Loss) from <i>School Districts - Net Impact</i>
2010	(\$90,882)	\$0	\$0
2011	\$0	(\$25,271,500)	(\$8,407,500)
2012	\$0	(\$25,777,000)	(\$8,416,500)
2013	\$0	(\$26,421,500)	(\$8,297,000)
2014	\$0	(\$27,082,000)	(\$8,172,000)

Fiscal Analysis

This resolution would propose a constitutional amendment to Article VIII of the Texas Constitution to authorize taxing units to adopt a local option residence homestead exemption from ad valorem taxation of at least \$5,000 and not more than \$30,000. This would be an alternative exemption to the current percentage local option exemption, which may not exceed 20 percent.

The proposed amendment would be submitted to voters at an election to be held November 3, 2009. The cost to the state for publication of the resolution is \$90,882.

Methodology

Adoption of the proposed constitutional amendment alone would not result in revenue losses to local units of government. Any fiscal impact would depend on the actions of the governing bodies of local taxing units. The actions of local taxing units in deciding whether to grant the local optional \$30,000 homestead exemption cannot be predicted.

The Comptroller provided an estimate to demonstrate the cost to the state and the net cost to school districts if every school district currently granting the optional percentage homestead exemption were to grant the alternative \$30,000 homestead exemption instead. This analysis assumes half of the districts would grant the new exemption.

Because implementing a larger homestead exemption would result in a net loss to local taxing units, the table above includes half of the total cost estimated by the Comptroller. There would be similar losses to taxing units other than the state and school districts.

Through 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. None of the school district debt and enrichment costs would be transferred to the state because the proposed constitutional amendment does not require the Comptroller to deduct these new optional exemptions in the property value study. All costs were estimated over the five year projection period. There would be similar 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

Adoption of the proposed constitutional amendment alone would not result in revenue losses to local units of government. Any fiscal impact would depend on the actions of the governing bodies of local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS