

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: HJR50 by Bolton (Proposing a constitutional amendment increasing the amounts of certain residence homestead exemptions from ad valorem taxation and providing for the adjustment of the amounts of those exemptions applicable to a homestead based on changes in the appraised value of the homestead.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR50, As Introduced: a negative impact of (\$562,526,882) 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	(\$562,436,000)
2012	(\$653,767,000)
2013	(\$680,768,000)
2014	(\$702,665,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Savings/ (Cost) from <i>Foundation School</i> <i>Fund</i> 193	Probable Revenue Gain/(Loss) from <i>School Districts - Net</i> <i>Impact</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>
2010	(\$90,882)	\$0	\$0	\$0
2011	\$0	(\$562,436,000)	(\$187,126,000)	(\$60,145,000)
2012	\$0	(\$653,767,000)	(\$144,817,000)	(\$63,026,000)
2013	\$0	(\$680,768,000)	(\$159,371,000)	(\$65,721,000)
2014	\$0	(\$702,665,000)	(\$170,193,000)	(\$67,880,000)

Fiscal Analysis

The resolution would propose a constitutional amendment to Article VIII of the Texas Constitution to increase the mandatory residence homestead exemption granted by counties from \$3,000 to \$6,000 for the 2010 tax year or any later year in which the owner becomes entitled to the exemption. For each subsequent year, the exemption amount would be adjusted to reflect the change in the homestead's assessed value.

The mandatory residence homestead exemption for school districts would be increased from \$15,000 to \$30,000 and would also be adjusted in subsequent years for changes in the homestead's assessed value.

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

Current law provides mandatory residence homestead exemptions of \$3,000 for counties and \$15,000 for school districts. The bill would increase the county homestead exemption to \$6,000 and the school district homestead exemption to \$30,000, contingent on passage of a constitutional amendment.

The resolution would not require that school district tax ceilings for 65-and-over and disabled taxpayers be reduced to reflect the additional exemption.

Some low-value residences are appraised at less than the total of their exemptions, 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 reduce the cost for the lack of complete absorption. The resolution would require that the exempt amount be increased proportionate to any homestead value increases. The value loss was adjusted for projected increases in homestead values to increase the value loss to the additional exemption. The value loss was trended through the projection period, and the appropriate tax rates were applied to estimate the cost of the proposed exemption increases.

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, school districts, and counties.

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS