

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 3, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB1531 by Ritter (Relating to the exemption from ad valorem taxation of real property leased to and used by certain schools.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1531, As Introduced: a negative impact of (\$2,830,000) through the biennium ending August 31, 2013.

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
2012	\$0
2013	(\$2,830,000)
2014	(\$3,463,000)
2015	(\$3,652,000)
2016	(\$3,850,000)

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>
2012	\$0	\$0	\$0	\$0
2013	(\$2,830,000)	(\$991,000)	(\$1,102,000)	(\$1,230,000)
2014	(\$3,463,000)	(\$588,000)	(\$1,164,000)	(\$1,296,000)
2015	(\$3,652,000)	(\$643,000)	(\$1,228,000)	(\$1,366,000)
2016	(\$3,850,000)	(\$702,000)	(\$1,296,000)	(\$1,439,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding property taxation, to add new Section 11.211 to entitle a property owner to receive an exemption from property taxes under certain conditions if the property owner leases property to a school qualified under Section 11.21(d) of the Tax Code. The bill would require that the property be used exclusively by the school for educational functions; the property must be reasonably necessary for the operation of the school; the owner must certify by affidavit that the rent will be reduced by the amount of property tax savings; the owner must provide the school with a document describing the tax savings and showing that the rent reduction equals the savings; and the rent must reflect the tax reduction through a monthly or annual tax credit against the rent.

Contingent on the passage of a constitutional amendment, this bill would take effect on January 1, 2012.

Methodology

The bill's proposed exemption of real property leased to schools and reimbursement of the resulting tax savings to the schools through a rent credit would create a fiscal cost if the lessee is a charter school or any qualified school (alternative school) other than a school district receiving formula funding from the state under Chapter 41 or 42 of the Texas Education Code (regular school district). The regular school district (and other taxing units) would lose taxable value and the associated property tax revenue to the new exemption resulting in a cost to the regular school district, city, county, and to the state through the operation of the school funding formulas. In these instances the bill would, in effect, result in a transfer of property taxes from the regular school district and other taxing units to the alternative school within the regular school district's boundaries.

The value of real property leased by alternative schools was estimated based on information from the Texas Charter Schools Association and appraisal districts.

Projected tax rates were applied to estimate the levy loss to cities and counties, and to estimate the initial school district loss. Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, the school district cost related to the compressed rate is transferred to the state. The enrichment cost and a portion of the school district debt (facilities) cost are 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.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

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