

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION
Revision 1

April 25, 2013

TO: Honorable Tracy O. King, Chair, House Committee on Agriculture & Livestock

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1306** by Rodriguez, Eddie (Relating to the eligibility of land for appraisal for ad valorem tax purposes as qualified open-space land.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1306, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2015.

However, there would be fiscal implications beginning in FY 2016.

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
2014	\$0
2015	\$0
2016	(\$2,029,000)
2017	(\$6,727,000)
2018	(\$11,866,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Counties</i>	Probable Revenue (Loss) from <i>Cities</i>
2014	\$0	\$0	\$0	\$0
2015	\$0	\$0	\$0	\$0
2016	(\$2,029,000)	(\$3,264,000)	(\$1,608,000)	(\$1,785,000)
2017	(\$6,727,000)	(\$4,402,000)	(\$3,369,000)	(\$3,746,000)
2018	(\$11,866,000)	(\$5,684,000)	(\$5,294,000)	(\$5,896,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2014	\$0
2015	\$0
2016	(\$1,174,000)
2017	(\$2,459,000)
2018	(\$3,860,000)

Fiscal Analysis

This bill would amend Section 23.51 of the Tax Code, regarding property taxation, appraisal methods and procedure, and definitions.

The bill would revise the qualification standards for appraisal of open space land (agricultural productivity valuation). The bill would provide that the term agricultural use also includes producing fruits and vegetables and using land for a non-profit community garden. "Nonprofit community garden" means land owned or leased by a nonprofit entity and gardened by a cooperative group of people residing in a neighborhood or community for the purpose of providing without profit fresh produce for the benefit of the residents of the neighborhood or community.

The Comptroller would be required to consult with the Texas A&M AgriLife Extension Service and individuals selected by the comptroller who are nonprofit community garden stakeholders to develop guidelines for determining whether land qualifies as a nonprofit community garden when located in a county with a population of one million or more.

The bill would take effect on September 1, 2013.

Methodology

Qualified open space land is appraised according to a statutory formula that results in an appraised value that is significantly less than the market value. As a result, any changes in the law that increase the number of acres that are appraised according to this formula result in a fiscal impact to local taxing units and to the state through the school finance formulas. This fiscal impact is greatest when the affected land is near an urban area because the market values are relatively high and the difference between the market values and the reduced statutory appraised values are relatively large.

The bill's new intensity standard, inclusion of an acreage standard in counties with populations of at least one million, and inclusion of nonprofit community gardens in the term "agricultural use" would increase the number of qualified acres and would create a cost to local taxing units and to the state through the operation of the school finance formulas.

The fiscal impact was estimated based on the results of a survey of appraisal districts. The applicable projected tax rates were applied to estimate the levy loss to special districts, cities and counties, and to estimate the initial school district loss.

Because of the operation of the hold harmless provisions of the Education Code, about 60 percent of the school district cost related to the compressed rate would be transferred to the state in the

first year of a taxable property value loss and 100 percent in later years. Because lagged year property values are used in the enrichment formula, school districts lose enrichment funding (state savings) in the first year of a taxable property value reduction. In the second and successive years the enrichment cost and a portion of the school district debt (facilities) cost are transferred to the state through the relevant funding formulas. All costs were estimated over the five year projection period.

The negative fiscal impact after 2018 would increase because of the open space five year history of agricultural use requirement. Many taxpayers, upon learning of the tax savings afforded by the changes proposed by the bill would begin an agricultural use that would permit them to qualify after the required five year agricultural use period.

Local Government Impact

The fiscal implication to units of local government is included in the tables above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, SD, SJS