

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 4, 2013**

**TO:** Honorable Harold V. Dutton, Jr., Chair, House Committee on Urban Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3779** by Isaac (relating to affordable housing.), **Committee Report 1st House, Substituted**

**There would be an indeterminate fiscal impact at this time due to insufficient data regarding the payments in lieu of taxes made by property owners described by the provisions of the bill.**

The bill would amend Chapter 2306 of the Government Code relating to the application and notice for financial assistance for affordable housing; and would require a county or a municipality to hold a hearing on a proposed application.

The bill would amend Chapter 11 of the Tax Code to make school district revenue resulting from payments in lieu of taxes (PILTs) from an organization receiving property value exemptions for certain types of low-income housing subject to the same limitations and restrictions as ad valorem tax revenue collected by the district. It is unclear whether the terms "limitations and restrictions" would require PILT revenue to be treated as ad valorem tax revenue for the purpose of determining state aid and recapture under the Foundation School Program (FSP). Because the amount of PILT revenue described by the bill is unknown at this time, state fiscal implications for the FSP cannot be determined. However, if PILT revenue were treated as local ad valorem tax revenue for the purpose of determining state aid and recapture under the FSP, the additional revenue in general would potentially reduce state costs for hold harmless aid, increase state costs for enrichment aid, and increase recapture revenue received by the state.

The Texas Education Agency (TEA) indicated the bill would have no direct fiscal implications for the operations of the TEA. The Texas Department of Housing and Community Affairs indicated no fiscal impact is anticipated. The Comptroller of Public Accounts indicated the bill would not affect taxable property values, tax rates, or collection rates.

**Local Government Impact**

The Texas Association of Counties indicated no significant fiscal impact is anticipated according to Cameron, El Paso, Hays, and Wichita counties.

The Texas Municipal League indicated there would be a minimal fiscal impact for the requirement to give notice and hold a hearing.

The bill would make school district revenue resulting from payments in lieu of taxes (PILTs) from an organization receiving property value exemptions for certain types of low-income housing

subject to the same limitations and restrictions as ad valorem tax revenue collected by the district. For the purpose of this estimate, it is assumed that limitations and restrictions with respect to the use of ad valorem tax revenue would apply to PILT revenue and that PILT revenue would potentially be treated as ad valorem tax revenue in determining a school district's rollback rate. It is unclear whether the terms "limitations and restrictions" would require PILT revenue to be treated as ad valorem tax revenue for the purpose of determining state aid and recapture under the FSP. Because the amount of PILT revenue described by the bill is unknown at this time, local implications associated with the bill's stipulation cannot be determined. However, if PILT revenue were treated as ad valorem tax revenue for the purpose of determining state aid and recapture under the FSP, affected districts could potentially experience reduced hold harmless state aid, increased effective rates for enrichment, and increased recapture payments.

**Source Agencies:** 304 Comptroller of Public Accounts, 332 Department of Housing and Community Affairs, 701 Central Education Agency

**LBB Staff:** UP, KKR, SD, TP, NV, JSp, JBi