

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 28, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2826 by Murphy (Relating to the eligibility of certain property located in multiple school districts for a limitation on appraised value for school district maintenance and operations ad valorem tax purposes under the Texas Economic Development Act.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2826, As Passed 2nd House: a negative impact of (\$1,000,000) through the biennium ending August 31, 2017.

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, Ten-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$500,000)
2017	(\$500,000)
2018	(\$500,000)
2019	(\$1,700,000)
2020	(\$7,900,000)
2021	(\$16,200,000)
2022	(\$28,000,000)
2023	(\$40,100,000)
2024	(\$52,300,000)
2025	(\$63,300,000)

All Funds, Ten-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue (Loss) from School Districts
2016	(\$500,000)	\$0	\$0
2017	(\$500,000)	\$0	\$0
2018	(\$500,000)	\$0	(\$1,000,000)
2019	(\$500,000)	(\$1,200,000)	(\$7,000,000)
2020	(\$500,000)	(\$7,400,000)	(\$15,000,000)
2021	(\$500,000)	(\$15,700,000)	(\$25,000,000)
2022	(\$500,000)	(\$27,500,000)	(\$36,000,000)
2023	(\$500,000)	(\$39,600,000)	(\$47,000,000)
2024	(\$500,000)	(\$51,800,000)	(\$57,000,000)
2025	(\$500,000)	(\$62,800,000)	(\$69,000,000)

Fiscal Year	Change in Number of State Employees from FY 2015
2016	6.0
2017	6.0
2018	6.0
2019	6.0
2020	6.0

Fiscal Analysis

The bill would amend Chapter 313 of the Tax Code, regarding the Texas Economic Development Act, to create a method by which a "single unified project" in more than one school district would be considered a single project for certain purposes under this chapter.

The bill would add Section 313.0255 to allow a multi-district project in no more than three contiguous school districts, designated a single unified project by the Governor under Tax Code 313.024(d-2), to be eligible for a value limitation agreement under Subchapter B. While the school districts would be required to be contiguous, there is no requirement different parcels of the project be contiguous.

The total required minimum qualified investment amount and the total required minimum limitation for the multi-district project would be the required qualified investment and minimum required limitation amount in the one school district in the multi-district group having the highest property value. That minimum limitation amount would be proportionally divided among the various school districts according the percentage of qualified investment in each of the districts.

The bill would add new Section 313.055 to allow multi-district projects in Subchapter C school districts to similarly combine eligibility considerations and proportionally divide limitation amounts.

The bill would amend Section 313.032 of the Tax Code to require the Comptroller to verify a random sample of at least a third of the data submitted by school property tax limitation agreement recipients used by the Comptroller for the report to the Legislature required under this section. The Comptroller would be required to verify the data using information from reliable

sources, such as the Texas Workforce Commission or chief appraisers for appraisal districts.

The bill would take effect September 1, 2015.

Methodology

Minimum limitation amounts for projects in multiple school districts under current law are calculated separately for each district's limitation agreement. Allowing such projects to divide the limitation amount of one of the school districts would increase the levy loss to school districts.

Projects in multiple school districts under current law are required to meet eligibility requirements in each district. Allowing eligibility of property in one school district to confer eligibility on property in another school district that otherwise would not be eligible would increase the levy loss to school districts, particularly with no requirements that parcels of the project be contiguous.

Section 313.004(2)(A) currently prohibits property owners from pooling investment for ad valorem tax or financial benefit. The bill's provisions could allow the aggregation of property not normally included in Chapter 313 limitation agreements under current law, thereby increasing school district levy loss.

Single unified projects are determined by the Texas Economic Development and Tourism Office under Section 313.024(d-2). Any fiscal impact to the state would depend upon revision of Texas Administrative Code rules related to "single unified projects," as well as on the number and size of projects that are determined to be single unified projects in the future. The table above includes an estimate of school levy losses and additional state cost under the Foundation School Program that would result from provisions of the bill for possible multi-district projects executing agreements before the expiration of the chapter, December 31, 2022.

Currently, agreements are between the company and the school district, and the district is responsible for enforcement of the agreement. The Comptroller is not a party to the agreement.

Companies submitting information to the Comptroller for the report are currently required to attest to the accuracy of the data submitted, and certify such data. Implementing an employee-level job and wage verification system of company-submitted data would require additional resources. The administrative cost estimate in the table above, totaling \$500,000 per year, reflects the funds that would be necessary to hire five systems analyst IIIs and one project manager to assume this new function. The 313 program currently has approximately 350 agreements, with an estimated 50 additional projects added annually. The data verification process would entail reviewing 15 separate data elements.

Local Government Impact

School districts entering into Chapter 313 agreements would benefit from additional Foundation School Program state aid or reductions in recapture corresponding to losses in local M&O revenue resulting from the limitation on taxable value of affected property. Estimated losses in local M&O revenue are noted in the tables above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS, JSp