

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 8, 2015**

**TO:** Honorable John Otto, Chair, House Committee on Appropriations

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

**IN RE: HB3295** by Sheffield (Relating to the provision of state aid to certain local governments disproportionately affected by the granting of ad valorem tax relief to disabled veterans.),  
**As Introduced**

**Passage of the bill would provide assistance payments to counties and cities that are disproportionately affected by total residence homestead property tax exemptions for 100 percent or totally disabled veterans, thereby creating a gain to the counties and cities that receive the payments and an equal cost to the state. The cost to the state and revenue gain to affected cities and counties cannot be estimated at this time.**

The bill would amend Chapter 140 of the Local Government Code to provide disabled veteran assistance payments to cities and counties disproportionately affected by total residence homestead property tax exemptions for totally disabled veterans or their surviving spouses authorized under Section 11.131 of the Tax Code. The bill would define an affected local government eligible to receive payments as a municipality bordered by or adjacent to a U.S. military installation and a county in which a U.S. military installation is wholly or partly located if the municipality or county has for a tax year a disproportionate share of lost property tax revenue as the result of granting disabled veteran tax exemptions for that tax year. A disproportionate share of lost property tax revenue would be defined as an amount of property tax revenue equal to or greater than two percent of a local government's total general fund revenues in a tax year that the local government is not entitled to receive as the result of granting totally disabled veteran homestead property tax exemptions for that tax year.

An affected city or county would be entitled to receive from the state a payment, the amount of which would be calculated by subtracting, from the affected county or city's lost property tax revenue from the relevant exemption, an amount equal to one percent of the general fund revenues of the county's or city's adopted budget in that tax year. An affected city or county would be eligible to apply to the Comptroller beginning with the 2015 tax year; the assistance payment would be remitted beginning in fiscal year 2016.

The bill would take effect immediately upon receipt of a two-thirds vote of all members elected to each house; otherwise the bill would take effect September 1, 2015.

Implementation of the bill would result in an indeterminate cost to the state and corresponding revenue gain to the affected local entities. According to the Comptroller, approximately 20 cities and counties would be affected by the bill. However, incomplete information is available regarding the general fund revenues of counties and cities eligible to receive the assistance payments. As examples, the state cost of the assistance payments, if the bill had been in effect for

fiscal year 2014, would be \$692,118 for the City of Killeen; \$273,506 for the City of Copperas Cove; and \$861,261 for Bell County \$861,261.

### **Local Government Impact**

There would be a revenue gain to certain local governmental entities. As an example, the Comptroller of Public Accounts estimates that assistance payments to City of Killeen would be \$692,118 if the bill was in effect for fiscal year 2014. The City of Copperas Cove may have received \$273,506 and Bell County may have received \$861,261 in fiscal year 2014.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, EP, LCO, KVe