

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

July 24, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB190 by Raymond (Relating to a temporary increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district, a temporary reduction in the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect the increased exemption amount, and a temporary protection of school districts against the resulting temporary loss in local revenue.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB190, As Introduced: a negative impact of (\$3,053,388,000) through the biennium ending August 31, 2019, contingent upon passage of a constitutional amendment authorizing the exemption.

House Joint Resolution 32 would reduce balance of the Economic Stabilization Fund by \$3.05 billion and would increase the balance of the Foundation School Fund by a like amount. The one-year increase in the residence homestead exemption and the \$3.05 billion appropriation to pay for the increased exemption are both self-enabling. The bill provides for school districts to be held completely harmless by the state for the cost of the exemption. Combined, there is no net cost for General Revenue Related Funds.

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
2018	\$0
2019	(\$3,053,388,000)
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund
193	

2018	\$0
2019	(\$3,053,388,000)
2020	\$0
2021	\$0
2022	\$0

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to require a temporary (one-year) increase in the residence homestead exemption from \$25,000 to \$71,000 for tax year 2018. The bill would amend various chapters of the Education Code to hold school districts completely harmless from the cost of the temporary increase.

The bill would take effect January 1, 2018, contingent on voter approval of a constitutional amendment (HJR 32).

Methodology

The bill's one-year increase in the residence homestead exemption from \$25,000 to \$71,000 (an increase of \$46,000) would create a cost to the state through the school finance formulas for fiscal 2019 only. The bill's provisions ensure that 100 percent of the cost of the increased exemption is transferred to the state. There would be no cost to school districts or other local taxing units.

The estimate was based on information from appraisal districts.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SJS