LEGISLATIVE BUDGET BOARD
Austin, Texas

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

August 1, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB251** by Phillips (Relating to the eligibility of land for appraisal for ad valorem tax purposes as qualified open-space land on the basis of its use for wildlife management.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB251, As Introduced: a negative impact of ($181,000) through the biennium ending August 31, 2019.

Additionally, there would be a negative impact of ($101,822,000) through the biennium ending August 31, 2021.

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	($181,000)
2020	($45,645,000)
2021	($56,177,000)
2022	($65,900,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Foundation School Fund* 193	Probable Revenue Gain/(Loss) from *School Districts*	Probable Revenue Gain/(Loss) from *Counties*	Probable Revenue Gain/(Loss) from *Cities*
2018	$0	$0	$0	$0
2019	($181,000)	($54,940,000)	($16,172,000)	($15,540,000)
2020	($45,645,000)	($22,807,000)	($19,993,000)	($19,012,000)
2021	($56,177,000)	($24,801,000)	($23,546,000)	($22,157,000)
2022	($65,900,000)	($26,575,000)	($26,767,000)	($24,925,000)

Fiscal Year	Probable Revenue Gain/(Loss) from *Other Special Districts*
2018	$0
2019	($12,205,000)
2020	($15,066,000)
2021	($17,717,000)
2022	($20,110,000)

Fiscal Analysis

The bill would amend Subsection 23.51(7) of the Tax Code to delete the part of the "wildlife management" definition that requires the land to have been appraised as qualified open space or timber land at the time the wildlife management use began. The definition would require instead that the landowner actively use the land in a manner that meets the standards developed under Section 23.521 of the Tax Code (standards for qualification of land for appraisal based on wildlife management use).

The bill would amend Subsection 23.52(g) of the Tax Code to specify that the category of land that qualifies for open-space land appraisal as wildlife management land is native pasture, rather than the land's open space or timber category before the wildlife management use began.

The bill would take effect January 1, 2018.

Methodology

Land qualified for special appraisal as open space land is appraised at significantly less than market value. The bill's deletion of the requirement that to qualify for open space appraisal as wildlife management land the land must have been appraised at the time the wildlife management use began as qualified open space or timber land, would create a fiscal impact because it would enable land that has never previously qualified for open space appraisal to immediately qualify for such appraisal as wildlife management land.

The bill's required placement of wildlife management land in the native pasture land use category, instead of the land's category prior to its use for wildlife management, would create an additional fiscal impact because native pasture is appraised at less than most other land categories. This would reduce the appraised value of some of the existing wildlife management land and would encourage land that is in higher valued open space categories to switch to wildlife management to obtain a lower appraised value.

The reductions in the appraised value of land that would be caused by the bill would create a cost to units of local government and to the state through the school finance formula. The taxable value loss estimate was based on information from appraisal districts.

Projected tax rates were applied to the taxable value losses through the five-year projection period to estimate tax revenue losses to school districts, special districts, cities and counties. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. Projected school funding rates were applied to estimate the state loss and the net school district loss.

In the first year of a taxable value loss, state recapture is reduced (a state loss). Because of the use of lagged year property values, in the second and successive years of a taxable value loss, state recapture is further reduced and the previous year's school district loss related to the Tier 1 rate is generally transferred to the state through the Tier 1 funding formulas (a state loss).

In the school district enrichment formula (Tier 2), property values do not reflect the first-year value loss because of the one-year value lag. Because the formula does reflect a tax collections decline in that year, school districts lose Tier 2 funding creating a state gain. In the second and successive years a large portion of the previous year's enrichment loss is transferred to the state (a state loss).

The school district debt (facilities) funding formula does not reflect the first-year taxable value loss because of lagged property values. In the second and successive years a small portion of the previous year's school district facilities loss is transferred to the state (a state loss).

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the table above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, SD, SJS