

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: HJR32 by Raymond (Proposing a constitutional amendment to appropriate money from the economic stabilization fund to the foundation school fund and use the money to finance a temporary increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district and 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR32, As Introduced: a positive impact of \$3,049,885,631 through the biennium ending August 31, 2019.

The joint resolution would reduce balance of the Economic Stabilization Fund by \$3.05 billion and would increase the balance of the new 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 companion legislation (HB 190) 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.

Appropriations:

Fiscal Year	Appropriation out of <i>Economic Stabilization Fund</i> 599
2018	\$3,050,000,000
2019	\$0

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$3,049,885,631
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from Economic Stabilization Fund 599	Probable Revenue (Loss) from Economic Stabilization Fund 599
2018	(\$114,369)	\$3,050,000,000	(\$3,050,000,000)	(\$2,800,000)
2019	\$0	\$0	\$0	(\$51,252,000)
2020	\$0	\$0	\$0	(\$52,525,000)
2021	\$0	\$0	\$0	(\$53,536,000)
2022	\$0	\$0	\$0	(\$54,567,000)

Fiscal Analysis

The resolution would propose an amendment to add new Subsection (p) to Section 49-g, Article III, Texas Constitution, to appropriate \$3.05 billion on December 1, 2017 from the Economic Stabilization Fund 0599 to the new Foundation School Fund to finance a temporary increase in the amount of the exemption of residence homesteads from ad valorem taxation for general elementary and secondary public school purposes under Section 1-b(c), Article VIII, Texas Constitution, and a temporary reduction in the amount of the limitation on the total amount of ad valorem taxes for general elementary and secondary public school purposes imposed on the residence homesteads of the elderly or disabled under Section 1-b(d), Article VIII, Texas Constitution, to reflect the increased exemption amount.

The resolution would propose amendments to Sections 1-b(c) and (d), Article VIII, Texas Constitution, to increase the school district residence homestead exemption from \$25,000 to \$71,000 of the market value of an individual's residence homestead for the 2018 tax year only. The amendments would provide a corresponding one-year reduction in the tax limitation for individuals who are age 65 or older or are disabled.

The proposed amendments would be submitted to voters at an election to be held November 7, 2017.

Methodology

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 companion legislation (HB 190), however, provides for school districts to be held completely harmless by the state for the cost of the exemption. Consequently, the fiscal impact of the amendments in combination with the school district hold-harmless provisions is shown in the fiscal note for HB 190. This joint resolution would reduce balance of the Economic Stabilization Fund by \$3.05 billion and would increase the balance of the new Foundation School Fund by a like amount. In subsequent years balance of ESF would be reduced as a result of loss of interest and investment earnings on ESF balances.

The cost to the State for publication of the resolution is \$114,369.

Note: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.095, consolidated special funds (except those affected by constitutional,

federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

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