

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 12, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB2111 by Pacheco (relating to the period for which a school district's participation in certain tax increment financing reinvestment zones may be taken into account in determining the total taxable value of property in the school district.), **Committee Report 1st House, Substituted**

Passage of the bill would allow the deduction in the Property Value Study of certain tax increment zone captured appraised value that is not currently deducted and could create a cost to the state by reducing, in some school districts, the taxable value used in the state's school funding formulas.

The bill would amend Section 403.302, Government Code, regarding determination of school district property values, to provide that if a certain city adopts an ordinance designating a termination date for the reinvestment zone that is later than the termination date designated in the ordinance creating the zone, the number of years for which the total dollar amount of captured appraised value that may be deducted in the Comptroller's Property Value Study (PVS) is limited to the duration of the zone as determined by the later termination date.

The bill would apply only to a reinvestment zone created by a city that has a population of 1.1 million or more and is predominantly located in a county that has a population of 1.8 million or less.

The provisions of the bill would apply to San Antonio.

The Comptroller's PVS determines the school district taxable values used in the state's school funding formulas. The bill's provisions allowing the deduction in the PVS, in certain school districts, of specified tax increment zone captured appraised value that is not currently deducted under the law could create a cost to the state by reducing, in affected school districts, the taxable value used in the state's school funding formulas. A reduced school district taxable value results in increased state aid or reduced recapture.

As existing tax increment reinvestment zones in the affected school districts reach the end of their duration as specified in their financing plans approved before September 1, 1999 the PVS deduction will expire causing higher school district taxable values and reducing state cost. Under the bill's proposal, the PVS deduction could be extended, causing increased state cost.

The amount of school district participation in the specified tax increment reinvestment zone with an extended duration resulting in an extended PVS deduction under the bill's proposal is

unknown. The captured appraised value that could be deducted in the PVS in school districts included in the specified reinvestment zone is also unknown. Consequently, the state cost cannot be estimated.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2019.

Local Government Impact

Passage of the bill would allow the deduction in the Property Value Study of certain tax increment zone captured appraised value that is not currently deducted and could create a cost to the state by reducing, in some school districts, the taxable value used in the state's school funding formulas. A reduced school district taxable value results in increased state aid or reduced recapture.

Source Agencies: 304 Comptroller of Public Accounts

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