

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 8, 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: HJR3 by Huberty (Proposing a constitutional amendment to provide funding for the cost of maintaining and operating the public school system and to reduce school district ad valorem tax rates through an increase in the state sales and use tax rate.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR3, As Introduced: a positive impact of \$92,412,711 through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	\$34,572,711
2021	\$57,840,000
2022	\$61,160,000
2023	\$64,740,000
2024	\$67,990,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>General Revenue Fund</i> 1
2020	\$34,750,000	(\$177,289)
2021	\$57,840,000	\$0
2022	\$61,160,000	\$0
2023	\$64,740,000	\$0
2024	\$67,990,000	\$0

Fiscal Analysis

The joint resolution proposes an amendment of Article VIII, Texas Constitution to provide funding for the public school system and to reduce school district ad valorem taxes through an increase in the state sales and use tax rate.

Section 27 would be added to impose tax on items subject to sales and use tax under Chapter 151,

Tax Code at a rate of 6.26 percent.

The legislature would have authority by general law to raise the rate of the tax or to modify the application of or repeal the tax.

The net revenue derived from the portion of the tax rate in excess of the rate in effect January 1, 2019 (6.25 percent) but that does not exceed 6.26 percent could be appropriated only to increase the state's share of the cost for maintenance and support of primary and secondary public schools and to reduce school district ad valorem tax rates.

The proposed amendment would be submitted to the voters at an election to be held November 5, 2019. If approved by voters, the change in tax rate would apply to taxes imposed on or after January 1, 2020.

Methodology

The estimated increases in revenue are proportional to the forecast of sales and use tax adopted for the 2020-21 Biennial Revenue Estimate. As the proposed change in tax rate is minimal, no change in consumption of taxable items would be anticipated.

The cost to the state for publication of the resolution is \$177,289.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD