

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 22, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1613 by Shine (Relating to the applicability of the law governing the provision of state aid to certain local governments disproportionately affected by the granting of ad valorem tax relief to disabled veterans.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1613, As Passed 2nd House : a negative impact of (\$7,770,000) through the biennium ending August 31, 2025.

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:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$3,590,000)
2025	(\$4,180,000)
2026	(\$4,830,000)
2027	(\$5,550,000)
2028	(\$6,350,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1
2024	(\$3,590,000)
2025	(\$4,180,000)
2026	(\$4,830,000)
2027	(\$5,550,000)
2028	(\$6,350,000)

Fiscal Analysis

The bill would amend Section 140.011, Local Government Code (Local Governments Disproportionately Affected By Property Tax Relief For Disabled Veterans) to provide eligibility to receive state aid under the section for municipalities in a county in which a military installation is wholly or partially located and with county population either (a) more than 370,000 but not more than 380,000; or (b) more than 83,000 but not more than 84,000.

This bill would take effect September 1, 2023.

Methodology

State aid under this program is limited by appropriation, and requests for aid based on reduced property tax revenue due to the 100 percent disabled veteran homestead exemption are subject to proration. In fiscal 2023, the total state aid requested was \$21,778,860; based on the \$10.5 million appropriation, the funding level was 48.2 percent of requested amounts for the eligible entities. Absent an increase in appropriations, continued growth in the number and appraised values of exempt homesteads of disabled veterans and the increase in eligible entities as provided by the bill will increase the extent of proration.

The amounts in the table are estimated requests for state aid as may be made by the likely four additional cities provided eligibility for aid. The extent to which increased requests for state aid will result in increased payments of aid or increased proration will be determined by appropriation and is not known.

Local Government Impact

Municipalities in Bell County and Coryell County could receive state aid under the section. Based on property tax exemption data from appraisal districts and annual financial reports or budgets of cities in those counties, it is anticipated the cities of Belton, Harker Heights, Morgan's Point Resort, and Nolanville would qualify.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, SD, KK