

SENATE AMENDMENTS

2nd Printing

By: Shine, Martinez Fischer, Kuempel, Ordaz,
Slawson, et al.

H.B. No. 1613

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the provision of state aid to certain local governments
3 to offset the cost of the exemption from ad valorem taxation of the
4 residence homestead of a 100 percent or totally disabled veteran.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. This Act may be cited as the State Economic
7 Reimbursement for Veterans Exemption (SERVE) Act.

8 SECTION 2. Sections 140.011(a)(1) and (2), Local Government
9 Code, are amended to read as follows:

10 (1) "Ad valorem tax [~~General fund~~] revenue" means the
11 dollar amount of ad valorem taxes imposed [~~revenue generated~~] by a
12 local government for the tax year in which the local government's
13 [~~from the following sources during a~~] fiscal year begins [~~and~~
14 ~~deposited in the dedicated general operating fund of the local~~
15 ~~government during that fiscal year:~~

16 [(A) ~~ad valorem taxes,~~

17 [(B) ~~sales and use taxes,~~

18 [(C) ~~franchise taxes, fees, or assessments~~
19 ~~charged for use of the local government's right-of-way,~~

20 [(D) ~~building and development fees, including~~
21 ~~permit and inspection fees,~~

22 [(E) ~~court fines and fees,~~

23 [(F) ~~other fees, assessments, and charges, and~~

24 [(G) ~~interest earned by the local government].~~

1 (2) "Local government" means a municipality or county

2 [~~+~~

3 [~~(A) a municipality adjacent to a United States~~
4 ~~military installation; and~~

5 [~~(B) a county in which a United States military~~
6 ~~installation is wholly or partly located].~~

7 SECTION 3. Section 140.011, Local Government Code, is
8 amended by amending Subsections (b), (d), (h), and (i) and adding
9 Subsections (j) and (k) to read as follows:

10 (b) To serve the state purpose of ensuring that the cost of
11 providing ad valorem tax relief to disabled veterans is shared
12 equitably among the residents of this state, a local government is
13 entitled to a disabled veteran assistance payment from the state
14 for each fiscal year that the local government is a qualified local
15 government. A local government is a qualified local government for
16 a fiscal year if the amount of lost ad valorem tax revenue
17 calculated under Subsection (c) for that fiscal year is [~~equal to~~
18 ~~or~~] greater than one [~~two~~] percent of the local government's ad
19 valorem tax [~~general fund~~] revenue for that fiscal year.

20 (d) Subject to Subsection (i), a [~~A~~] disabled veteran
21 assistance payment made to a qualified local government for a
22 fiscal year is calculated by subtracting from the local
23 government's lost ad valorem tax revenue calculated under
24 Subsection (c) for that fiscal year an amount equal to one percent
25 of the local government's ad valorem tax [~~general fund~~] revenue for
26 that fiscal year.

27 (h) The disabled veteran local government assistance trust

1 fund is established as a trust fund outside the state treasury. The
2 fund consists of money deposited to the credit of the fund under
3 Section 151.801, Tax Code, and other money deposited to the credit
4 of the fund at the direction of the legislature. The comptroller
5 shall administer the fund as trustee on behalf of qualified local
6 governments. The comptroller shall allocate the money deposited to
7 the credit of the fund [~~transfer funds to a newly created account in~~
8 ~~the state treasury~~] for the purpose of making payments to which
9 qualified [~~reimbursement of~~] local governments are entitled under
10 this section. The comptroller may make a payment from the fund to a
11 qualified local government without the necessity of an
12 appropriation.

13 (i) If the comptroller determines that the balance of the
14 disabled veteran local government assistance trust fund in a state
15 fiscal year is not sufficient to pay the full amount of each
16 disabled veteran assistance payment to qualified local governments
17 in that year, the comptroller shall proportionately reduce the
18 amount of each payment made to the qualified local governments that
19 year as necessary to prevent the fund from becoming insolvent.

20 (j) If in a state fiscal year the amount of money in the
21 disabled veteran local government assistance trust fund exceeds the
22 amount necessary to pay the full amount of each disabled veteran
23 assistance payment to qualified local governments in that year, the
24 comptroller shall transfer the excess amount to the general revenue
25 fund not later than the last day of that year.

26 (k) The comptroller shall adopt rules necessary to
27 implement this section.

1 SECTION 4. Section 151.801, Tax Code, is amended by
2 amending Subsection (a) and adding Subsection (g) to read as
3 follows:

4 (a) Except for [~~the~~] amounts otherwise allocated under this
5 section [~~Subsections (b), (c), (c-2), (c-3), and (f)~~], all proceeds
6 from the collection of the taxes imposed by this chapter shall be
7 deposited to the credit of the general revenue fund.

8 (g) Each state fiscal year the comptroller shall determine
9 in the manner prescribed by this subsection an amount of the
10 proceeds from the collection of the taxes imposed by this chapter
11 and deposit that amount to the credit of the disabled veteran local
12 government assistance trust fund established under Section
13 140.011, Local Government Code. For the state fiscal years
14 beginning September 1, 2023, and September 1, 2024, the amount to be
15 deposited to the credit of the disabled veteran local government
16 assistance trust fund is \$200 million. In the state fiscal year
17 beginning September 1, 2025, and each subsequent state fiscal year,
18 the amount to be deposited to the credit of the disabled veteran
19 local government assistance trust fund is an amount equal to the
20 amount deposited to the credit of the fund in the preceding state
21 fiscal year, adjusted by the annual rate of change in disabled
22 veteran assistance payments made under Section 140.011, Local
23 Government Code. For purposes of this subsection, the annual rate
24 of change in disabled veteran assistance payments is equal to the
25 percentage increase, if any, in the amount of disabled veteran
26 assistance payments made under Section 140.011, Local Government
27 Code, in the preceding state fiscal year as compared to the amount

1 of those payments made in the state fiscal year preceding that state
2 fiscal year. When computing the annual rate of change in disabled
3 veteran assistance payments for purposes of this subsection, the
4 comptroller may not consider the amount by which a disabled veteran
5 assistance payment was reduced under Section 140.011(i), Local
6 Government Code.

7 SECTION 5. Section 140.011, Local Government Code, as
8 amended by this Act, applies to the eligibility of a local
9 government to apply for, and the calculation of, a disabled veteran
10 assistance payment beginning with the fiscal year of the local
11 government that ends in the 2023 tax year.

12 SECTION 6. This Act takes effect September 1, 2023.

ADOPTED

MAY 21 2023

By: Flores

Lately Spauld
Secretary of the Senate

B. No. 1613

Substitute the following for ___B. No. _____

By: *Patricia M*

C.S. ___B. No. _____

A BILL TO BE ENTITLED

AN ACT

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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.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 140.011(a)(2), Local Government Code, is amended to read as follows:

(2) "Local government" means:

(A) a municipality adjacent to a United States military installation; ~~and~~

(B) a county in which a United States military installation is wholly or partly located; and

(C) a municipality located in a county that:

(i) is described by Paragraph (B); and

(ii) has a population of:

(a) more than 370,000 but not more than 380,000; or

(b) more than 83,000 but not more than 84,000.

SECTION 2. Section 140.011, Local Government Code, as amended by this Act, applies to the eligibility of a local government to apply for a disabled veteran assistance payment beginning with the fiscal year of the local government that ends in the 2023 tax year.

1 SECTION 3. This Act takes effect September 1, 2023.

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

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 19, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

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.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1613, Committee Report 2nd House, Substituted : 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, KK, SD

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 17, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1613 by Shine (Relating to the provision of state aid to certain local governments to offset the cost of the exemption from ad valorem taxation of the residence homestead of a 100 percent or totally disabled veteran.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1613, As Engrossed : a negative impact of (\$400,458,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	(\$200,229,000)
2025	(\$200,229,000)
2026	(\$210,229,000)
2027	(\$220,729,000)
2028	(\$231,754,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Disabled Veteran Local Government Assistance Trust Fund</i>	Probable (Cost) from <i>General Revenue Fund</i> 1	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$200,000,000)	\$200,000,000	(\$229,000)	3.0
2025	(\$200,000,000)	\$200,000,000	(\$229,000)	3.0
2026	(\$210,000,000)	\$210,000,000	(\$229,000)	3.0
2027	(\$220,500,000)	\$220,500,000	(\$229,000)	3.0
2028	(\$231,525,000)	\$231,525,000	(\$229,000)	3.0

Fiscal Analysis

The bill would amend Section 140.011 of the Local Government Code, regarding local governments disproportionately affected by property tax relief for disabled veterans, to change the general fund revenue definition to only property tax revenue. The bill would lower the threshold of lost property tax revenue from 2% to 1% and expand eligibility for local governments to include any county or municipality.

The bill would establish the Disabled Veteran Local Government Assistance Trust Fund (fund) as a fund outside the state treasury and administered by the Comptroller. Money in the fund would consist of deposits made under Section 151.801 of the Tax Code, regarding the disposition of proceeds, and any other funds dedicated by the Legislature.

The bill would amend Section 151.801, Tax Code, directing the Comptroller, for state fiscal years 2024 and 2025, to deposit \$200 million to the fund established by the bill. In subsequent state fiscal years, the Comptroller would deposit to the fund the amount deposited the previous year adjusted by the annual rate of change in disabled veteran assistance payments made under Section 140.011, Local Government Code.

The bill would allow the Comptroller to make a payment from the fund to a qualified local government without an appropriation.

The bill provides that if the Comptroller determines that the balance of the trust fund is not sufficient to pay the full amount to qualified local governments, each payment must be reduced proportionately.

The bill provides that if the amount of money in the trust fund exceeds the amount necessary to pay the full amount of each disabled veteran assistance payment to qualified local governments in any year, the excess amount is to be transferred to General Revenue (GR).

The bill would apply to the eligibility of a qualified local government to apply for a disabled veteran assistance payment beginning with the fiscal year of the local government that ends in the 2023 tax year.

The bill would take effect September 1, 2023.

Methodology

The bill would provide that \$200 million be deposited to the disabled veteran local government assistance trust fund in fiscal years 2024 and 2025. The amount would grow each year thereafter, indexed to annual percentage growth in assistance payments, assumed here at 5 percent annually after 2025 for growth in appraised values alone.

In the four years from 2017 through 2021, the number of 100 percent disabled veteran property tax exemptions increased by about 63 percent. That growth combined with market value appreciation of the exempted homesteads, after adjustment for the 10 percent annual limit on growth in appraised value, resulted in average annual growth in city and county levy losses of about 21.1 percent. Should that rate of growth have moderated after 2021, the full amounts of deposits to the trust fund indicated below will not be required to make the assistance payment, and excess funds will be transferred to the general revenue fund; those amounts cannot be determined.

The bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a fund either in, with, or outside of the Treasury, or dedicate or rededicate a revenue source. The Legislature consolidated funds 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 enacted a funds consolidation bill. The dedication included in this bill, unless created by a constitutional amendment, would be subject to funds consolidation review by the current Legislature.

There would be effects on the Economic Stabilization Fund (ESF) balance limit and consequent effects for GR reserves and transfers to ESF. Because sales tax revenue is initially deposited to the general revenue fund, the deposit instead to the disabled veteran local government assistance trust fund in the 2024-25 biennium would reduce the 2026-27 ESF balance limit by ten percent of the reduction in general revenue deposits, reducing 2025 severance tax reserves for transfer to the ESF by the amount of the balance limit reduction, and increasing available GR in 2025 by the amount of reduction of the reserves, however this amount is not expected to be significant.

Local Government Impact

Lowering the threshold of lost property tax revenue from 2% to 1% to qualify for the assistance payments is estimated to result in over 500 additional taxing units qualifying for assistance payments relative to current law.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 5, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1613 by Shine (relating to the provision of state aid to certain local governments to offset the cost of the exemption from ad valorem taxation of the residence homestead of a 100 percent or totally disabled veteran.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1613, Committee Report 1st House, Substituted : a negative impact of (\$400,458,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$200,229,000)
2025	(\$200,229,000)
2026	(\$210,229,000)
2027	(\$220,729,000)
2028	(\$231,754,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue Gain from Disabled Veteran Local Government Assistance Trust Fund	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2023
2024	(\$200,000,000)	\$200,000,000	(\$229,000)	3.0
2025	(\$200,000,000)	\$200,000,000	(\$229,000)	3.0
2026	(\$210,000,000)	\$210,000,000	(\$229,000)	3.0
2027	(\$220,500,000)	\$220,500,000	(\$229,000)	3.0
2028	(\$231,525,000)	\$231,525,000	(\$229,000)	3.0

Fiscal Analysis

The bill would amend Section 140.011 of the Local Government Code, regarding local governments disproportionately affected by property tax relief for disabled veterans, to change the general fund revenue definition to only property tax revenue. The bill would lower the threshold of lost property tax revenue from 2% to 1% and expand eligibility for local governments to include any county or municipality.

The bill would establish the Disabled Veteran Local Government Assistance Trust Fund (fund) as a fund outside the state treasury and administered by the Comptroller. Money in the fund would consist of deposits made under Section 151.801 of the Tax Code, regarding the disposition of proceeds, and any other funds dedicated by the Legislature.

The bill would amend Section 151.801, Tax Code, directing the Comptroller, for state fiscal years 2024 and 2025, to deposit \$200 million to the fund established by the bill. In subsequent state fiscal years, the Comptroller would deposit to the fund the amount deposited the previous year adjusted by the annual rate of change in disabled veteran assistance payments made under Section 140.011, Local Government Code.

The bill would allow the Comptroller to make a payment from the fund to a qualified local government without an appropriation.

The bill provides that if the Comptroller determines that the balance of the trust fund is not sufficient to pay the full amount to qualified local governments, each payment must be reduced proportionately.

The bill provides that if the amount of money in the trust fund exceeds the amount necessary to pay the full amount of each disabled veteran assistance payment to qualified local governments in any year, the excess amount is to be transferred to General Revenue (GR).

The bill would apply to the eligibility of a qualified local government to apply for a disabled veteran assistance payment beginning with the fiscal year of the local government that ends in the 2023 tax year.

The bill would take effect September 1, 2023.

Methodology

The bill would provide that \$200 million be deposited to the disabled veteran local government assistance trust fund in fiscal years 2024 and 2025. The amount would grow each year thereafter, indexed to annual percentage growth in assistance payments, assumed here at 5 percent annually after 2025 for growth in appraised values alone.

In the four years from 2017 through 2021, the number of 100 percent disabled veteran property tax exemptions increased by about 63 percent. That growth combined with market value appreciation of the exempted homesteads, after adjustment for the 10 percent annual limit on growth in appraised value, resulted in average annual growth in city and county levy losses of about 21.1 percent. Should that rate of growth have moderated after 2021, the full amounts of deposits to the trust fund indicated below will not be required to make the assistance payment, and excess funds will be transferred to the general revenue fund; those amounts cannot be determined.

The bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a fund either in, with, or outside of the Treasury, or dedicate or rededicate a revenue source. The Legislature consolidated funds 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 enacted a funds consolidation bill. The dedication included in this bill, unless created by a constitutional amendment, would be subject to funds consolidation review by the current Legislature.

There would be effects on the Economic Stabilization Fund (ESF) balance limit and consequent effects for GR reserves and transfers to ESF. Because sales tax revenue is initially deposited to the general revenue fund, the deposit instead to the disabled veteran local government assistance trust fund in the 2024-25 biennium would reduce the 2026-27 ESF balance limit by ten percent of the reduction in general revenue deposits, reducing 2025 severance tax reserves for transfer to the ESF by the amount of the balance limit reduction, and increasing available GR in 2025 by the amount of reduction of the reserves, however this amount is not expected to be significant.

Local Government Impact

Lowering the threshold of lost property tax revenue from 2% to 1% to qualify for the assistance payments is estimated to result in over 500 additional taxing units qualifying for assistance payments relative to current law.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 9, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1613 by Shine (Relating to the provision of state aid to certain local governments to offset the cost of the exemption from ad valorem taxation of the residence homestead of a 100 percent or totally disabled veteran.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1613, As Introduced : a negative impact of (\$46,926,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$22,991,000)
2025	(\$23,935,000)
2026	(\$25,184,000)
2027	(\$26,515,000)
2028	(\$27,837,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue Gain from Disabled Vet Local Gov't Assistance 5160	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2023
2024	(\$22,762,000)	\$22,762,000	(\$229,000)	3.0
2025	(\$23,706,000)	\$23,706,000	(\$229,000)	3.0
2026	(\$24,955,000)	\$24,955,000	(\$229,000)	3.0
2027	(\$26,286,000)	\$26,286,000	(\$229,000)	3.0
2028	(\$27,608,000)	\$27,608,000	(\$229,000)	3.0

Fiscal Analysis

The bill would amend Section 140.011 of the Local Government Code, regarding local governments disproportionately affected by property tax relief for disabled veterans, to change the general fund revenue definition to only property tax revenue. The bill would lower the threshold of lost property tax revenue from 2% to 1% and expand eligibility for local governments to include any county or municipality.

The bill would dedicate state sales tax collected from businesses located on a U.S. military base to GR-Dedicated Account – Disabled Veterans Local Government Assistance. The bill provides that if the Comptroller determines that the balance of the account is not sufficient to pay the full amount to qualified local governments, each payment must be reduced proportionately.

The bill would apply to the eligibility of a qualified local government to apply for a disabled veteran assistance payment beginning with the fiscal year of the local government that ends in the 2023 tax year.

The bill would take effect September 1, 2023.

Methodology

The fiscal impact of the provisions of the bill dedicating the sales tax collected from businesses located on U.S. military bases are shown in the above tables and were estimated based on Comptroller records of businesses remitting sales tax from U.S. bases in the state.

Exempt value and associated levy losses for the 100 percent disabled veteran property tax exemption have grown very rapidly in recent years, as the population eligible for the exemption has grown. In the four years from 2017 through 2021, the number of such exemptions increased by around 63 percent. That growth combined with market value appreciation of the exempted homesteads, after adjustment for the 10 percent annual limit on growth in appraised value, resulted in average annual growth in city and county levy losses of about 21.1 percent. This rapid rate of growth in the cost of the exemption, markedly faster than the rate of growth in total property tax levies, will result in rapidly escalating entitlements for veteran assistance payments, before proration. The amount estimated as available for support of assistance payments are estimated to total less than 20 percent of the total entitlement to assistance payments.

This analysis assumes the Comptroller will have administrative costs which includes the funds to hire three Program Specialist IIIs necessary to implement the provisions of this bill. The bill would expand and alter the eligibility requirements for the program to include all cities and counties with a property tax revenue loss of one percent attributable to granting the 100 percent disabled veteran exemption. Under the current program, the Comptroller receives applications from five qualifying taxing units. It takes one FTE approximately 80 hours to review the applications from these five qualifying taxing units, verify the data, and prepare and route the request for approval and deposit. Based on data provided by appraisal districts, the agency would anticipate an increase in over 500 taxing units that would qualify or apply for assistance under the bill and handle the anticipated increase in the number of applications and inquires related to the program.

Local Government Impact

Lowering the threshold of lost property tax revenue from 2% to 1% to qualify for the assistance payments is estimated to result in over 500 additional taxing units qualifying for assistance payments relative to current law.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD

LEGISLATIVE BUDGET BOARD

Austin, Texas

TAX/FEE EQUITY NOTE

88TH LEGISLATIVE REGULAR SESSION

May 5, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1613 by Shine (relating to the provision of state aid to certain local governments to offset the cost of the exemption from ad valorem taxation of the residence homestead of a 100 percent or totally disabled veteran.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

Agencies:

LBB Staff: JMc, KK

LEGISLATIVE BUDGET BOARD

Austin, Texas

TAX/FEE EQUITY NOTE

88TH LEGISLATIVE REGULAR SESSION

April 9, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1613 by Shine (Relating to the provision of state aid to certain local governments to offset the cost of the exemption from ad valorem taxation of the residence homestead of a 100 percent or totally disabled veteran.), **As Introduced**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

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