

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 23, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2826 by Murphy (Relating to the eligibility of property located in more than one school district for a limitation on appraised value for school district maintenance and operations ad valorem tax purposes under the Texas Economic Development Act.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2826, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

However, there would be costs to the Foundation School Fund beginning in 2019.

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, Ten-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|--------------------|---|
| 2016 | \$0 |
| 2017 | \$0 |
| 2018 | \$0 |
| 2019 | (\$2,200,000) |
| 2020 | (\$9,300,000) |
| 2021 | (\$20,600,000) |
| 2022 | (\$35,400,000) |
| 2023 | (\$51,100,000) |
| 2024 | (\$67,100,000) |
| 2025 | (\$81,700,000) |

All Funds, Ten-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from Foundation School Fund 193 | Probable Revenue (Loss) from School Districts |
|--------------------|--|--|
| 2016 | \$0 | \$0 |
| 2017 | \$0 | \$0 |
| 2018 | \$0 | (\$2,000,000) |
| 2019 | (\$2,200,000) | (\$8,700,000) |
| 2020 | (\$9,300,000) | (\$19,700,000) |
| 2021 | (\$20,600,000) | (\$33,000,000) |
| 2022 | (\$35,400,000) | (\$47,700,000) |
| 2023 | (\$51,100,000) | (\$62,600,000) |
| 2024 | (\$67,100,000) | (\$76,200,000) |
| 2025 | (\$81,700,000) | (\$92,300,000) |

Fiscal Analysis

The bill would amend Chapter 313 of the Tax Code, regarding the Texas Economic Development Act, to create a method by which a "single unified project" in more than one school district would be considered a single project for certain purposes under this chapter.

The bill would add new Section 313.0255 to allow a multi-district project in contiguous school districts, designated a single unified project by the Governor under Tax Code 313.024(d-2), to be eligible for a value limitation agreement under Subchapter B. The bill would not limit the number of school districts in a multi-district project. While the school districts would be required to be contiguous, there is no requirement different parcels of the project be contiguous.

The total required minimum qualified investment amount and the total required minimum limitation for the multi-district project would be the required qualified investment and minimum required limitation amount in the one school district in the multi-district group having the highest property value. That minimum limitation amount would be proportionally divided among the various school districts according the percentage of qualified investment in each of the districts.

The bill would add new section 313.055 to allow multi-district projects in Subchapter C school districts to similarly combine eligibility considerations and proportionally divide limitation amounts.

The bill would take effect September 1, 2015.

Methodology

Minimum limitation amounts for projects in multiple school districts under current law are calculated separately for each district's limitation agreement. Allowing such projects to divide the limitation amount of one of the school districts would increase the levy loss to school districts.

Projects in multiple school districts under current law are required to meet eligibility requirements in each district. Allowing eligibility of property in one school district to confer eligibility on property in another school district that otherwise would not be eligible would increase the levy loss to school districts, particularly with no limit to the number of school districts, or any requirements that parcels of the project be contiguous.

Section 313.004(2)(A) currently prohibits property owners from pooling investment for ad valorem tax or financial benefit. The bill's provisions could allow the aggregation of property not normally included in Chapter 313 limitation agreements under current law, thereby increasing school district levy loss.

Single unified projects are determined by the Texas Economic Development and Tourism Office under Section 313.024(d-2). Any fiscal impact to the state would depend upon revision of Texas Administrative Code rules related to "single unified projects," as well as on the number and size of projects that are determined to be single unified projects in the future. The table above includes an estimate of school levy losses and additional state cost under the Foundation School Program that would result from provisions of the bill for possible multi-district projects executing agreements before the expiration of the chapter, December 31, 2022.

Local Government Impact

School districts entering into Chapter 313 agreements would benefit from additional Foundation School Program state aid or reductions in recapture corresponding to losses in local M&O revenue resulting from the limitation on taxable value of affected property. Estimated losses in local M&O revenue are noted in the tables above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS, JSp