LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 21, 2025

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB23** by Bettencourt (Relating to an increase in the amount of the exemption from ad valorem taxation by a school district of the appraised value of the residence homestead of a person who is elderly or disabled and the protection of school districts against certain losses in local revenue.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB23, As Passed 2nd House: a negative impact of ($1,207,224,000) through the biennium ending August 31, 2027.

This analysis assumes a portion of the cost associated with providing additional state aid to offset the loss in local interest and sinking revenue under Education Code, Section 46.071 cannot be determined due to insufficient data, however, this analysis assumes the fiscal impact could be significant.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*
2026	($576,859,000)
2027	($630,365,000)
2028	($477,194,000)
2029	($487,382,000)
2030	($542,066,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Foundation School Fund* 193	Probable Revenue Gain/(Loss) from *Recapture Payments Atten Crdts* 8905	Probable Revenue Gain/(Loss) from *School Districts Levy Loss*
2026	($576,859,000)	($136,260,000)	($559,198,000)
2027	($630,365,000)	($147,523,000)	($611,812,000)
2028	($477,194,000)	($130,615,000)	($578,644,000)
2029	($487,382,000)	($136,060,000)	($592,326,000)
2030	($542,066,000)	($124,959,000)	($635,722,000)

Fiscal Analysis

The bill would amend the Tax Code to increase the mandatory homestead exemption for school district property taxation for persons aged 65 or older or disabled from $10,000 to $60,000.

The bill would amend the Education Code to entitle districts to additional state aid to the extent that a district's combined state and local revenue used to service eligible debt after the homestead exemption increase for a person aged 65 or older or disabled would be less than the state and local revenue that would have been available for debt service as of September 1, 2025, had the homestead exemption not increased.

The bill would further entitle districts to state aid to the extent that combined state and local Foundation School Program (FSP) revenues for maintenance and operations (M&O) with the increased homestead exemption for a person aged 65 or older or disabled would be less than the district's combined state and local revenue for M&O had the homestead exemption not increased.

Methodology

Contingent on the passage of a constitutional amendment (SJR 85) the bill's proposed increase in the residence homestead exemption for persons aged 65 or older or disabled from $10,000 to $60,000 would reduce value on school district tax rolls. The estimates below are extrapolated from a representative sample of taxpayer records received from appraisal districts indicating market and taxable values for homestead accounts indicated as qualified for the current exemption. The bill's hold harmless provisions would require the state to offset certain school property tax revenue losses resulting from the additional homestead exemption amount.

Under provisions of the Education Code, school district tax revenue losses due to the increased homestead exemption are partially transferred to the state. This analysis assumes state costs associated with increasing the homestead exemption for persons aged 65 or older or disabled to $60,000, including providing additional state aid to certain districts, would total $576.9 million in fiscal year 2026, $630.4 million in fiscal year 2027, decreasing to $542.1 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of $136.3 million in fiscal year 2026, $147.5 million in fiscal year 2027, decreasing to $125.0 million in fiscal year 2030 as a result of school district tax revenue loss. The decrease in recapture is reflected as a revenue loss in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

This analysis assumes a portion of the cost associated with providing additional state aid to offset the loss in local interest and sinking revenue under Education Code, Section 46.071, that would result from the homestead exemption increase for a person aged 65 or older or disabled, cannot be determined due to insufficient data related to the amount of debt service that would be eligible as of September 1, 2025; however, this analysis assumes the fiscal impact could be significant.

Local Government Impact

The provisions of the bill would only apply to school districts.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency

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