

REVENUE ESTIMATING CONFERENCE

Revenue Source: Ad Valorem

Issue: 10 Percent Cap Applied to School Taxes

Bill Number(s): HJR 331

Entire Bill

Partial Bill:

Sponsor(s): Representative Garcia

Month/Year Impact Begins: January 2025

Date(s) Conference Reviewed: November 17, 2023; December 1, 2023; December 8, 2023

Section 1: Narrative

- a. **Current Law:** Article VII of the Florida Constitution indicates that the non-school assessed value of non-homestead residential and non-residential properties is capped at 10 percent growth per year. The school assessed value is uncapped.
- b. **Proposed Change:** The 10 percent cap on non-school assessed value of non-homestead residential and non-residential properties applies to school assessed value as well.

Section 2: Description of Data and Sources

Aggregate Millage based on Proposed Millages from Each Taxing Authority Provided in August 2023
 Results of the Ad Valorem Estimating Conference, August 1, 2023
 2018 through 2023 Final Real Property Tax Roll
 Discussion with property appraisers

Section 3: Methodology (Include Assumptions and Attach Details)

The Revenue Estimating Conference for Ad Valorem Assessments met on August 1, 2023 and adopted an assessment differential forecast for non-homestead and non-residential properties. This differential, however, applies to non-school assessed values and would exceed the new differential created by the bill for school assessed value. From the same Ad Valorem conference, aggregate non-homestead and non-residential assessed value growth rates are adopted. This bill only has an impact on properties where the school assessed value would grow by more than 10 percent absent the bill. Within the forecast window, neither the non-homestead nor non-residential assessed values are projected to grow by more than 10 percent. Using the aggregate growth rate, the impact would be \$0. These growth rates, however, represent an aggregate statewide change in assessed value and not the actual growth in assessed value for each parcel. It is almost certain that some parcels' values will grow by more than 10 percent and some by less. An impact would thus require parcel by parcel estimates of school assessed value growth rates and would be incredibly sensitive to slight variations. As such, the middle estimate is indeterminate.

To exemplify the sensitivity of the impact, a "what-if" scenario was run on historical tax rolls to identify what the impact would have been in the first year following the policy change. This is done for the 5 most recent rolls. Non-homestead residential and non-residential parcels were identified that were not sold between the years, had growth in non-school assessed value between 9.5 and 10.5 percent, and growth in school assessed value of greater than 10.5 percent. For those parcels, a new school taxable value is calculated as the prior year's school assessed value increased by 10 percent minus the parcel specific exemptions. The impacts for each year are in the attached documentation and range from a loss of \$85 million to a loss of \$968 million depending on the year.

This bill goes into effect January 1, 2025 and first impacts the 2025-26 fiscal year. The bill is a joint resolution submitted to the voters, and as such, has a zero/negative indeterminate impact. The impact is zero if the resolution fails to pass, or negative indeterminate if it passes.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2024-25			0	(0/**)		
2025-26			(0/**)	(0/**)		
2026-27			(0/**)	(0/**)		
2027-28			(0/**)	(0/**)		
2028-29			(0/**)	(0/**)		

REVENUE ESTIMATING CONFERENCE

Revenue Source: Ad Valorem

Issue: 10 Percent Cap Applied to School Taxes

Bill Number(s): HJR 331

Revenue Distribution: Ad Valorem

Section 5: Consensus Estimate (Adopted: 12/08/2023) The Conference adopted a zero/negative indeterminate impact since this is a joint resolution proposing an amendment to be submitted to the voters.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2024-25	0.0	0.0	0.0	0.0	0.0	(0/**)	0.0	(0/**)
2025-26	0.0	0.0	0.0	0.0	(0/**)	(0/**)	(0/**)	(0/**)
2026-27	0.0	0.0	0.0	0.0	(0/**)	(0/**)	(0/**)	(0/**)
2027-28	0.0	0.0	0.0	0.0	(0/**)	(0/**)	(0/**)	(0/**)
2028-29	0.0	0.0	0.0	0.0	(0/**)	(0/**)	(0/**)	(0/**)

Note: If the constitutional amendment does not pass, the impact is zero. If approved, because the amendment is self-executing, the impact would be negative indeterminate due uncertainty regarding which properties would be affected during the forecast period. The current ad valorem forecast does not contain statewide increases in the value of non-homestead property in excess of 10 percent. However, some individual properties could be expected to increase in value by more than 10 percent during that time. To provide more context, using the recent experience of large increases in property values in recent years, had the provisions of the amendment had been in place on January 1, 2022, the negative impact on school tax revenue would have been over \$960 million in that one year. Likewise, had the provisions of the amendment had been in place on January 1, 2023, the negative impact on school tax revenue would have been over \$800 million in that one year. Going forward, these impacts would have been persistent, although generally diminishing over time.

	A	B	C	D	E	F	G
1	2023 Aggregate Millage Rates						
2	School	5.99					
3	Non-School	10.38					
4							
5	One-year Historical Analysis: If Bill Language Had Gone Into Effect in First Impact Year						
6	Base Year	First Impact Year	Parcels Impacted	tv_sd_impact (New Differential)	First Year Tax Impact - School	Actual tv_nsd Differential	
7	2018	2019	1,037,536	\$ (19,423,380,729)	\$ (116,390,724)	\$ (69,632,548,886)	
8	2019	2020	772,100	\$ (14,178,675,403)	\$ (84,962,877)	\$ (62,065,631,092)	
9	2020	2021	1,225,856	\$ (20,650,774,610)	\$ (123,745,637)	\$ (64,857,346,524)	
10	2021	2022	3,105,694	\$ (161,501,107,630)	\$ (967,763,087)	\$ (225,842,069,303)	
11	2022	2023	2,643,637	\$ (135,450,085,839)	\$ (811,657,549)	\$ (321,556,737,294)	
12							
13	Impact on School						
14		High		Middle		Low	
15		Cash	Recurring	Cash	Recurring	Cash	Recurring
16	2024-25			\$0	(**)		
17	2025-26			(**)	(**)		
18	2026-27			(**)	(**)		
19	2027-28			(**)	(**)		
20	2028-29			(**)	(**)		
21							
22	Impact on Non-School						
23		High		Middle		Low	
24		Cash	Recurring	Cash	Recurring	Cash	Recurring
25	2024-25			\$0	\$0		
26	2025-26			\$0	\$0		
27	2026-27			\$0	\$0		
28	2027-28			\$0	\$0		
29	2028-29			\$0	\$0		
30							
31	Total Impact						
32		High		Middle		Low	
33		Cash	Recurring	Cash	Recurring	Cash	Recurring
34	2024-25			\$0	(**)		
35	2025-26			(**)	(**)		
36	2026-27			(**)	(**)		
37	2027-28			(**)	(**)		
38	2028-29			(**)	(**)		