

BILL ANALYSIS

C.S.H.B. 3072
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, property taxes are paid according to the appraised values determined by county appraisal districts. At the same time, any state funding that a school district may receive is based on the findings of the annual Property Value Study (PVS) conducted by the comptroller of public accounts. The PVS figures and the local appraised values may not agree, in which case a district may lose some state funding. As proposed, CSHB 3072 establishes a temporary "grace period" for state funding to school districts that are eligible; enforces accountability measures through mandatory appraisal standards review for eligible appraisal districts and through mandatory appraisal standards review for eligible appraisal districts through discretionary audits of appraisal districts; and technical changes to ensure greater funding equity and improved audit and reporting procedures.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Comptroller of Public Accounts in SECTION 3 (Section 403.302, Government Code) and SECTION 6 (Section 5.102, Tax Code) of this bill.

ANALYSIS

SECTION 1. Amends Section 403.301, Government Code, as follows:

Sec. 403.301. PURPOSE. Sets forth the purpose of this section.

SECTION 2. Amends Subchapter M, Chapter 403, Government Code, by adding Section 403.3011 as follows:

Defines "annual study," "eligible school district," "local value," and "state value."

SECTION 3. Amends Section 403.302, Government Code, by amending Subsections (c) and (h) and adding Subsections (l) and (m), as follows:

(c) Provides that if the comptroller of public accounts (comptroller) determines in the annual study that local value is valid, local value is presumed to represent taxable value. Provides that in the absence of such a presumption, taxable value is the state value determined by the comptroller under Subsections (a) and (b), unless local value exceeds state value, in which case, local value is required to represent taxable value. Deletes text regarding the market value of property in a school district as determined by the appraisal district.

(h) Authorizes the comptroller to audit the total taxable value of property in a school district and to revise the findings of value in response to a request by a school district or the commissioner of education. Provides that the grounds for a request for a revision audit are limited to corrections and changes in a school district's appraisal roll that occurred after preliminary certification of the annual study findings. Requires the request for a revision audit to be filed with the comptroller within three years after the final certification of findings to the commissioner of education, except for changes in value due to judicial

determinations and material reductions in value resulting from corrections of appraisal rolls made under Section 25.25 (Correction of Appraisal Roll), Tax Code, that must be requested within one year after certification of the changes to the appraisal rolls by the chief appraiser. Authorizes the comptroller to adopt rules to facilitate the efficient audit of total taxable value. Deletes text authorizing the comptroller upon the request of the commissioner of education or a school district to audit a school district to determine the total taxable value of property. Deletes text regarding the productivity values of land. Makes nonsubstantive changes.

(l) Requires the comptroller, beginning with the annual study conducted for the year 2004, to substitute local value for state value in an eligible school district and requires local value to represent taxable value in the annual study for which the school district becomes eligible and in the annual study immediately following the annual study for which the school district becomes eligible. Requires the comptroller, within 12 months of the substitution of local value for state value as provided by this subsection, to complete an appraisal standards review of the appraisal district that appraises property for the school district, under Section 5.102 (Review of Appraisal Standards), Tax Code.

(m) Requires the comptroller, for the year 2002 or 2003, to substitute the local value for state value and requires local value to represent taxable value for the school district, notwithstanding a determination by the comptroller in the annual study that the school district's local value for that year is invalid. This subsection states that the commissioner of education shall compute the reduction of state allocated funds to a district that has erroneously over appraised property values and whose local value, rather than state value, has been used. The commissioner will then allocate the saved funds to Chapter 42 schools which meet certain criteria set forth in the bill. Provides that this subsection expires September 30, 2005.

SECTION 4. Amends Section 5.07(c), Tax Code, to require the record system prescribed by the comptroller to include a compilation of information concerning sales of property within the boundaries of the appraisal district.

SECTION 5. Amends Chapter 5, Tax Code, by adding Section 5.071 as follows:

Requires the information concerning sales of property maintained in the uniform record system to be submitted annually in a form prescribed by the comptroller for use in conducting the annual study of school district property values under Section 403.302 (Determination of School District Property Values), Government Code.

SECTION 6. Amends Section 5.102, Tax Code, as follows:

(a) Requires the comptroller to review the appraisal standards, procedures, and methodology used by each appraisal district in which the comptroller finds that a school is an eligible school district to determine compliance with generally accepted appraisal standards and practices. Authorizes the comptroller to establish by rule procedures and standards for conducting the review.

(b) Adds the superintendent and board of trustees of each school district participating in the appraisal district to the list of recipients of the comptroller's report.

(c) Provides that the comptroller, in conducting the review, is entitled to access all records and reports of the appraisal district and to the assistance of appraisal district employees or officers. Deletes text authorizing the comptroller to appoint a special master if the district is found to be in noncompliance after two consecutive reviews. Deletes text requiring the appraisal district to bear the cost for the master's supervision and control.

(d) Requires the comptroller, if the appraisal district fails to comply with the recommendations made in the review and the comptroller finds that the appraisal district board of directors failed to take remedial action within one year after the issuance of the report of the review, to notify the district judge serving in the county who shall appoint a five-member board of conservators to implement the recommendations. Requires the

members of the board of conservators to exercise supervision and control over the operations of the appraisal district until all school districts for which the appraisal district appraises property are determined by the comptroller to have valid local value under Chapter 403M (Study of School District Property Values), Government Code, in the same annual study. Requires the appraisal district to bear the costs related to the supervision and control by the board of conservators.

SECTION 7. Amends Section 5.12, Tax Code, by adding Subsection (h), to authorize the comptroller, in addition to the performance audits required by Subsections (a), (b) and (c) and the review of appraisal standards required by Section 5.102, to audit an appraisal district to analyze the effectiveness and efficiency of policies, management, and operations of the appraisal district. Requires the results of the audit to be delivered in a report that details the comptroller's findings and recommendations for improvement to the appraisal district's chief appraiser and board of directors and the governing bodies of all taxing units participating in the appraisal district. Authorizes the comptroller to require reimbursement by the appraisal district for some or all of the costs of the audit, not to exceed the actual cost associated with conducting the audit.

SECTION 8. Effective date: upon passage or, if the Act does not receive the necessary vote, September 1, 2003.

EFFECTIVE DATE

Upon passage or, if the Act does not receive the necessary vote, September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

CSHB 3072 differs from the original bill in that it delays the requirement of the comptroller to use the district's local value in Section 403.302(l), Government Code, from 2003 to 2004.

CSHB 3072 also differs from the bill as introduced in that it alters Section 403.302(m), Government Code, by adding language to deal with districts that have been erroneously over appraising property. CSHB 3072 now states that the commissioner of education shall compute the reduction of state allocated funds to a district that has erroneously over-appraised property values and whose local value, rather than state value, has been used. The commissioner will then allocate the saved funds to Chapter 42 schools which meet certain criteria set forth in the bill.