

BILL ANALYSIS

Senate Research Center

S.B. 671
By: Staples
Education
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Enrolled

DIGEST AND PURPOSE

Currently, property taxes are paid according to the appraised values determined by county appraisal districts. At the same time, any state funding which 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. S.B. 671 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

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 5 (Section 5.102, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

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

Sec. 403.301. PURPOSE. (a) Sets forth the purpose to provide uniformity in local property appraisal.

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

Sec. 403.3011. DEFINITIONS. 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 after conducting the annual study the comptroller of public account (comptroller) determines that the local value for a school district is valid, the local value is presumed to represent taxable value for the school district. Provides that in the absence of that presumption, taxable value for a school district is the state value for the school district determined by the comptroller under Subsections (a) and (b) unless the local value exceeds the state value, in which case the taxable value for the school district is the district’s local value. Requires the comptroller, in determining whether the local value for a school district is valid, to use a margin of error that does not exceed five percent unless the comptroller determines that the size of the sample of properties necessary to make the determination makes the use of such a margin of error not feasible, in which case the comptroller may use a larger margin of error. Deletes text providing the market value of property in the school district as determined by the appraisal district that appraises property for the school district, less total of the amounts and value listed in Subsection (d) as determined by the appraisal district.

(h) Authorizes the comptroller, on request of the commissioner of education or a school district, to audit the total taxable value of property in a school district and to revise the annual study findings. Provides that the request for audit is limited to corrections and changes in a school district's appraisal roll that occurred after preliminary certification of the annual study findings by the comptroller. Requires the request for audit to be filed with the comptroller by the third anniversary of the date of final certification of the annual study findings, except as otherwise provided by this subsection. Authorizes the request for audit to be filed by the first anniversary of the date the chief appraiser certifies a change to the appraisal roll if the chief appraiser corrects the appraisal roll under Section 25.25 (Correction of Appraisal Roll) or 42.41 (Correction of Rolls), Tax Code and the change results in a material reduction in the total taxable value of property in the school district. Deletes text providing productivity values of land.

(l) Provides that if after conducting the annual study for the year 2003 or a subsequent year the comptroller determines that a school district is an eligible school district, for that year and the following year the taxable value for the school district is the district's local value. Requires the comptroller, not later than the first anniversary of the date of the determination that a school district is an eligible school district, to complete an appraisal standards review as provided by Section 5.102 (Review of Appraisal Standards), Tax Code, of each appraisal district that appraises property for the school district.

(m) Requires the commissioner of education, if the comptroller determines in the annual study conducted for the year 2002 that the taxable value for a school district is the local value because the local value is invalid and exceeds the state value, to compute the amount by which the funding under Chapter 42 (Foundation School Program), Education Code, of the school district is reduced for the 2003-2004 school year because of the use of local value rather than state value as taxable value. Requires the commissioner of education to allocate an amount equal to the amount of the reduction for that school year to the school districts that receive funding under Chapter 42, Education Code, whose taxable value for the applicable year is the state value, and whose maintenance and operations tax rate for the applicable year exceeds \$1.42 on the \$100 valuation of taxable property. Requires the allocation to be made in proportion to the amount of funding under Chapter 42, Education Code, that each of those school districts would otherwise have received in that year. Provides that this subsection expires September 30, 2004.

SECTION 4. Amends Section 5.07(c), Tax Code, to require the comptroller to also prescribe a uniform record system to be used by all appraisal district for the purpose of submitting data to be used in the annual studies required by Section 5.10 of this code and by Section 403.302 (Determination of School District Property Values), Government Code. Requires the record system to include a compilation of information concerning sales of property within the boundaries of the appraisal district. Requires the sales information maintained in the uniform record to be submitted annually in a form prescribed by the comptroller, rather than offices appraising property for tax purposes.

SECTION 5. 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 that appraises property for an eligible school district as defined by Section 403.3011 (Definitions), Government Code, 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) Provides that the comptroller is entitled to access to all records and reports of the appraisal district and to the assistance of the appraisal district officers and employees, while conducting the review.

(c) Requires the comptroller, if the review results in a finding that an appraisal district is not in compliance with generally accepted appraisal standards and practices, to deliver 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 superintendent and board of trustees of each school district participating in the appraisal district.

(d) Requires the comptroller, if the appraisal district fails to comply with the recommendation made in the review, and the comptroller finds that the appraisal district board of directors failed to take remedial action before the first anniversary of the date the report was issued, to notify the judge of each district court in the county for which the appraisal district is established, who shall appoint a five-member board of conservators to implement the recommendations. Requires the board of conservators to exercise supervision and control over the operations of the appraisal district until the comptroller determines under Section 403.302, Government Code, that in the same year the taxable value of each school district for which the appraisal district appraises property is the local value for the school district. Requires the appraisal district to bear the costs related to the supervision and control by the board of conservators. Deletes text authorizing the comptroller to appoint a special master who may exercise supervision and control over the operations of the district until full compliance. Requires the appraisal district to bear the costs related to the master's supervision and control

SECTION 6. Amends Section 5.12, Tax Code, by adding Subsection (h), to require 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 7. Effective date: upon passage or September 1, 2003.