

AN ACT

relating to the determination of school district property values and the accountability of appraisal district operations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 403.301, Government Code, is amended to read as follows:

Sec. 403.301. PURPOSE. It is the policy of this state to ensure equity among taxpayers in the burden of school district taxes and among school districts in the distribution [~~payment~~] of state financial aid for public education [~~to schools~~]. The purpose of this subchapter is to promote that policy [~~equity~~] by providing for uniformity in local property appraisal [~~the tax appraisal and assessment~~] practices and procedures and in the determination of property values for schools in order to distribute state funding equitably [~~of school district tax offices, for improvement in the administration and operation of school district tax offices, and for greater competence among persons appraising and assessing school districts' taxes~~].

SECTION 2. Subchapter M, Chapter 403, Government Code, is amended by adding Section 403.3011 to read as follows:

Sec. 403.3011. DEFINITIONS. In this subchapter:

(1) "Annual study" means a study conducted under Section 403.302.

(2) "Eligible school district" means a school district

1 for which the comptroller has determined the following:

2 (A) in the most recent annual study, the local  
3 value is invalid under Section 403.302(c) and does not exceed the  
4 state value for the school district determined in the annual study;

5 (B) in the annual study for each of the two years  
6 preceding the most recent annual study, the school district's local  
7 value was valid under Section 403.302(c); and

8 (C) in the most recent annual study, the  
9 aggregate local value of all of the categories of property sampled  
10 by the comptroller is not less than 90 percent of the lower limit of  
11 the margin of error as determined by the comptroller of the  
12 aggregate value as determined by the comptroller of all of the  
13 categories of property sampled by the comptroller.

14 (3) "Local value" means the market value of property  
15 in a school district as determined by the appraisal district that  
16 appraises property for the school district, less the total amounts  
17 and values listed in Section 403.302(d) as determined by that  
18 appraisal district.

19 (4) "State value" means the value of property in a  
20 school district as determined in the annual study.

21 SECTION 3. Section 403.302, Government Code, is amended by  
22 amending Subsections (c) and (h) and adding Subsections (l) and (m)  
23 to read as follows:

24 (c) If after conducting the annual study the comptroller  
25 determines [~~in the annual study~~] that the local value for a school  
26 district [~~the market value of property in a school district as~~  
27 ~~determined by the appraisal district that appraises property for~~

1 ~~the school district, less the total of the amounts and values listed~~  
2 ~~in Subsection (d) as determined by that appraisal district,] is~~  
3 valid, the local value ~~[the market value of property in the school~~  
4 ~~district as determined by the appraisal district that appraises~~  
5 ~~property for the school district, less the total of the amounts and~~  
6 ~~values listed in Subsection (d) as determined by that appraisal~~  
7 ~~district,] is presumed to represent taxable value for the school~~  
8 district. In the absence of that ~~[such a]~~ presumption, taxable  
9 value for a school district is the state value for the school  
10 district determined by the comptroller under Subsections  
11 ~~[Subsection]~~ (a) and (b) unless the local value exceeds the state  
12 value, in which case the taxable value for the school district is  
13 the district's local value. In determining whether the local value  
14 for a school district is valid, the comptroller shall use a margin  
15 of error that does not exceed five percent unless the comptroller  
16 determines that the size of the sample of properties necessary to  
17 make the determination makes the use of such a margin of error not  
18 feasible, in which case the comptroller may use a larger margin of  
19 error.

20 (h) On request of the commissioner of education or a school  
21 district, the comptroller may audit ~~[a school district to~~  
22 ~~determine]~~ the total taxable value of property in a [the] school  
23 district and may revise the annual study findings. The request for  
24 audit is limited to corrections and changes in a school district's  
25 appraisal roll that occurred after preliminary certification of the  
26 annual study findings by the comptroller. Except as otherwise  
27 provided by this subsection, the request for audit must be filed

1 with the comptroller not later than the third anniversary of the  
2 date of the final certification of the annual study findings. The  
3 request for audit may be filed not later than the first anniversary  
4 of the date the chief appraiser certifies a change to the appraisal  
5 roll if the chief appraiser corrects the appraisal roll under  
6 Section 25.25 or 42.41, Tax Code, and the change results in a  
7 material reduction in the total taxable value of property in the  
8 school district~~[, including the productivity values of land only if~~  
9 ~~the land qualifies for appraisal on that basis and the owner of the~~  
10 ~~land has applied for and received a productivity appraisal]~~. The  
11 comptroller shall certify the [~~comptroller's~~] findings of the audit  
12 to the commissioner of education.

13 (l) If after conducting the annual study for the year 2003  
14 or a subsequent year the comptroller determines that a school  
15 district is an eligible school district, for that year and the  
16 following year the taxable value for the school district is the  
17 district's local value. Not later than the first anniversary of the  
18 date of the determination that a school district is an eligible  
19 school district, the comptroller shall complete an appraisal  
20 standards review as provided by Section 5.102, Tax Code, of each  
21 appraisal district that appraises property for the school district.

22 (m) If the comptroller determines in the annual study  
23 conducted for the year 2002 that the taxable value for a school  
24 district is the local value because the local value is invalid and  
25 exceeds the state value, the commissioner of education shall  
26 compute the amount by which the funding under Chapter 42, Education  
27 Code, of the school district is reduced for the 2003-2004 school

1 year because of the use of local value rather than state value as  
2 taxable value. The commissioner of education shall allocate an  
3 amount equal to the amount of the reduction for that school year to  
4 the school districts that receive funding under Chapter 42,  
5 Education Code, whose taxable value for the applicable year is the  
6 state value, and whose maintenance and operations tax rate for the  
7 applicable year exceeds \$1.42 on the \$100 valuation of taxable  
8 property. The allocation shall be made in proportion to the amount  
9 of funding under Chapter 42, Education Code, that each of those  
10 school districts would otherwise have received in that year. This  
11 subsection expires September 30, 2004.

12 SECTION 4. Subsection (c), Section 5.07, Tax Code, is  
13 amended to read as follows:

14 (c) The comptroller shall also prescribe a uniform record  
15 system to be used by all appraisal districts for the purpose of  
16 submitting data to be used in the annual studies required by Section  
17 5.10 of this code and by Section 403.302, Government Code. The  
18 record system shall include a compilation of information concerning  
19 sales of real property within the boundaries of the appraisal  
20 district. The sales information maintained in the uniform record  
21 system shall be submitted annually in a form prescribed by the  
22 comptroller [~~offices appraising property for tax purposes~~].

23 SECTION 5. Section 5.102, Tax Code, is amended to read as  
24 follows:

25 Sec. 5.102. REVIEW OF APPRAISAL STANDARDS. (a) The  
26 comptroller shall review the appraisal standards, procedures, and  
27 methodology used by each appraisal district that appraises property

1 for an eligible school district as defined by Section 403.3011,  
2 Government Code, to determine compliance with generally accepted  
3 appraisal standards and practices. The comptroller by rule may  
4 establish procedures and standards for conducting the review.

5 (b) In conducting the review, the comptroller is entitled to  
6 access to all records and reports of the appraisal district and to  
7 the assistance of the appraisal district's officers and employees.

8 (c) If the review results in a finding that an appraisal  
9 district is not in compliance with generally accepted appraisal  
10 standards and practices, the comptroller shall deliver a report  
11 that details the comptroller's findings and recommendations for  
12 improvement to:

13 (1) the appraisal district's chief appraiser and board  
14 of directors; and

15 (2) the superintendent and board of trustees of each  
16 school district participating in the appraisal district.

17 (d) If the appraisal district fails to comply with the  
18 recommendations in the report and the comptroller finds that the  
19 board of directors of the appraisal district failed to take  
20 remedial action before the first anniversary of the date the report  
21 was issued, the comptroller shall notify the judge of each district  
22 court in the county for which the appraisal district is  
23 established, who shall appoint a board of conservators consisting  
24 of five members to implement the recommendations. The board of  
25 conservators shall exercise supervision and control over the  
26 operations of the appraisal district until the comptroller  
27 determines under Section 403.302, Government Code, that in the same

1 year the taxable value of each school district for which the  
2 appraisal district appraises property is the local value for the  
3 school district. The appraisal district shall bear the costs  
4 related to the supervision and control of the district by the board  
5 of conservators [~~(c) If noncompliance with generally accepted~~  
6 ~~appraisal standards and practices is found in two consecutive~~  
7 ~~reviews and if an affected appraisal district's chief appraiser and~~  
8 ~~board of directors fail to take effective remedial action as~~  
9 ~~determined by the comptroller, the comptroller may appoint a~~  
10 ~~special master who may exercise supervision and control over the~~  
11 ~~operations of the district until full compliance with generally~~  
12 ~~accepted appraisal standards and practices is achieved. The~~  
13 ~~appraisal district shall bear the costs related to the master's~~  
14 ~~supervision and control].~~

15 SECTION 6. Section 5.12, Tax Code, is amended by adding  
16 Subsection (h) to read as follows:

17 (h) In addition to the performance audits required by  
18 Subsections (a), (b), and (c) and the review of appraisal standards  
19 required by Section 5.102, the comptroller may audit an appraisal  
20 district to analyze the effectiveness and efficiency of the  
21 policies, management, and operations of the appraisal district.  
22 The results of the audit shall be delivered in a report that details  
23 the comptroller's findings and recommendations for improvement to  
24 the appraisal district's chief appraiser and board of directors and  
25 the governing body of each taxing unit participating in the  
26 appraisal district. The comptroller may require reimbursement by  
27 the appraisal district for some or all of the costs of the audit,

1 not to exceed the actual costs associated with conducting the  
2 audit.

3 SECTION 7. This Act takes effect immediately if it receives  
4 a vote of two-thirds of all the members elected to each house, as  
5 provided by Section 39, Article III, Texas Constitution. If this  
6 Act does not receive the vote necessary for immediate effect, this  
7 Act takes effect September 1, 2003.



\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 671 passed the Senate on May 6, 2003, by the following vote: Yeas 30, Nays 0; May 30, 2003, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 31, 2003, House granted request of the Senate; June 1, 2003, Senate adopted Conference Committee Report by the following vote: Yeas 31, Nays 0.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 671 passed the House, with amendments, on May 28, 2003, by the following vote: Yeas 135, Nays 0, three present not voting; May 31, 2003, House granted request of the Senate for appointment of Conference Committee; June 1, 2003, House adopted Conference Committee Report by the following vote: Yeas 147, Nays 0, one present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor