

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 2, 2003

TO: Honorable Ron Wilson, Chair, House Committee on Ways & Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2120 by Wilson (Relating to the appraisal of property for ad valorem taxation by the Comptroller of Public Accounts.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2120, As Introduced: a negative impact of (\$3,020,175) through the biennium ending August 31, 2005.

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
2004	(\$1,003,493)
2005	(\$2,016,682)
2006	(\$1,920,057)
2007	(\$1,920,057)
2008	(\$1,920,057)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2003
2004	(\$1,003,493)	12.0
2005	(\$2,016,682)	25.0
2006	(\$1,920,057)	25.0
2007	(\$1,920,057)	25.0
2008	(\$1,920,057)	25.0

Fiscal Analysis

This bill would abolish appraisal district boards of directors (ARB) and establish the Comptroller of Public Accounts (Comptroller) as the governing authority of county appraisal districts in Texas.

The bill would require the Comptroller to operate an appraisal office in each county, administered by a chief appraiser appointed by the Comptroller. The bill would require the chief appraiser to adopt an appraisal district budget, subject to approval by the Comptroller, and to appoint ARB members. Certain other responsibilities of the appraisal district board would be assumed by the Comptroller, including: 1) the leasing and conveyance of real property; 2) appointment of a taxpayer liaison; 3) selection of the district's financial depository institutions; 4) appointment of the agricultural advisory board; 5) removal of ARB members; 6) employment of legal counsel; and 7) approval of appraisal district appeals to state district court.

The bill would continue the current method of appraisal district financing, whereby each participating taxing unit pays a share of the appraisal district budget based on its pro-rata share of all property taxes levied with the district.

On the effective date of the bill: 1) all personnel, property, records, and funds of each appraisal district would be transferred to the Comptroller for the benefit of each district; 2) the Comptroller would be substituted for an appraisal district in any ARB proceeding or lawsuit; and 3) all unpaid debts incurred by appraisal districts would become debts of the state.

Methodology

Passage of this bill would establish the Comptroller as the central administrator of the 253 appraisal districts in Texas. The Comptroller staff assumed minimal changes in the current day-to-day operations of local appraisal districts in the calculation of estimated state administrative costs. Additional staff would be required to assist the Comptroller in carrying out new duties and responsibilities, including management of appraisal district personnel and property. The Comptroller estimates additional administrative costs of \$1,003,493 for fiscal year 2004 and \$2,016,682 for fiscal year 2005 would be required for start-up costs including training, coordination, and new staff to handle the increased workload.

In the Comptroller's publication, Appraisal District Operations Report, the appraisal districts reported a total budget surplus amount of \$10,910,945 for 2002. The bill would transfer these funds to the Comptroller on September 1, 2004 for the benefit of the appraisal office for the county for which the appraisal district was established.

Further, all appraisal district debts would be transferred to the state, and as such, the debt obligations of the state would be increased. The total amount of this debt is uncertain. Appraisal District Operations reports indicate that 139 appraisal districts own office space. Of these, 102 own their office space free of debt, while 37 districts are financing, with terms ranging between five and 30 years, at interest rates ranging from four percent to 10 percent.

Local Government Impact

Administrative costs for local taxing units may be reduced when duties are transferred to the Comptroller.

Source Agencies: 304 Comptroller of Public Accounts, 802 Parks and Wildlife Department

LBB Staff: JK, JO, SD, WP, DLBe