

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 29, 2007

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB3194 by Hill (Relating to binding arbitration of certain appraisal review board orders.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 41A of the Tax Code, concerning binding arbitration of appraisal review board orders.

The bill would amend Section 41A.01 to expand the types of cases subject to binding arbitration. A property owner would be entitled to binding arbitration for determinations of appraised or market value and for unequal appraisal of the owner's property. Eligibility for binding arbitration would no longer be limited to appraised or market value matters involving \$1 million or less.

The bill would amend Section 41A.06 to require arbitrators to initially be licensed or certified continuously as a real estate professional for five years preceding the date the person agreed to serve as an arbitrator.

The bill would require an arbitrator to renew his or her inclusion on the Comptroller's qualified arbitrators' list after two years. During that two-year period, the person would have to have completed at least eight hours of continuing education in arbitration and alternative dispute resolution through a university, college, real estate trade association, or legal association.

The bill would amend Section 41A.08 to allow certified public accountants to represent owners in binding arbitration cases.

Passage of the bill would substantially expand property owner access to binding arbitration by adding "unequal appraisal" as an eligible grounds for arbitration and by removing the \$1 million value eligibility limitation. Since the inception of the binding arbitration program in 2005, a substantial number of owners have complained about the lack of an available remedy for unequal appraisal in the binding arbitration program and the \$1 million value limitation, which removes some mid-sized and larger businesses from eligibility for arbitration.

The Comptroller's Appraisal District Operations Survey indicates approximately 1,500 district court lawsuits filed annually in recent years. With the expansion of the arbitration program to include "unequal appraisal" and the removal of the \$1 million value limitation, some number of these heretofore district court cases could be the subject of the proposed legislative changes. If the binding arbitration workload for the Comptroller grew to reflect the 1,500 current lawsuits, the agency workload would quadruple. The expansion attributable to larger value and unequal appraisal cases would merit the services of an attorney and four additional tax professionals.

The Comptroller's Office estimates that administrative costs totaling \$411,558 in fiscal 2008 and \$381,108 each year over fiscal 2009-2012 would be necessary to conduct the new task of handling arbitration. This cost includes six additional full time employees.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-

thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS