

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 6, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: HB8 by Otto (Relating to certain studies and reviews of appraisal districts conducted by the comptroller of public accounts.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend Section 403.302 of the Government Code to change the Comptroller's school district Property Value Study from an annual study to a study that must be conducted once every two years except when the study finds that a school district's values are invalid.

If a school district's values are invalid, the study would be conducted annually until the study finds that the values are valid, under the bill. In a year that a study is not conducted in a school district, the school district's value would be considered valid. The two year grace period eligibility requirements would be amended to conform them to the biennial study requirement. The bill would also add a requirement that to be eligible for the grace period the appraisal district that appraises for the school district be in compliance with the scoring requirements of the most recent review of the appraisal district conducted under Section 5.102 of the Tax Code.

The bill would require the Comptroller to adopt rules governing the conduct of the study and would create a Comptroller's Property Value Study Advisory Committee charged with consulting with the Comptroller prior to the adoption of study rules. The committee would be composed of one member from the Texas House of Representatives appointed by the Speaker, one member from the Texas Senate appointed by the Lieutenant Governor, two members representing appraisal districts appointed by the Comptroller, two members representing school districts appointed by the Comptroller, and three members appointed by the Comptroller who are Texas taxpayers or have expertise in school district taxation or ratio studies. Texas governmental entities would be required to promptly comply with requests from the Comptroller for information, confidential or otherwise, to be used in the study.

The bill would also require the Comptroller to review each appraisal district's governance, taxpayer assistance, operating standards, appraisal standards, procedures and methods under the provisions of Section 5.102 of the Tax Code. These reviews would be conducted at least once every two years. The Comptroller would be permitted to adopt review rules after consulting with the advisory committee discussed above. If after notice the appraisal district does not take remedial action, the Comptroller would be required to notify the Board of Tax Professional Examiners or its successor. The Board of Tax Professional Examiners or its successor would be required to take action to ensure that the Comptroller's recommendations are implemented as soon as practicable.

The Property Value Study has traditionally encouraged appraisal districts to appraise at close to market value because of the possibility of school districts receiving reduced state funding and because of the visibility of study findings. The bill would reduce the Property Value Study frequency in most school districts from annual to biennial. Several factors would offset any appraisal district inclination to relax appraisal efforts in non-study years. The Comptroller would study approximately one-half of appraisal districts each year and conduct reviews of appraisal district governance and appraisal operations in the following year. This would provide annual Comptroller oversight in each appraisal district that would result in taxable values for school funding purposes in one year and a review of appraisal district methods the following year.

The requirement for a biennial rather than an annual study would free up Comptroller resources to do a more intensive Property Value Study in approximately half the school districts each year. An improved study in combination with the biennial methods review could result in more accurate appraisals statewide. Further, the bill would require the Comptroller to perform a study annually in districts with values determined to be invalid in the previous study until such time as the values are determined to be valid. This requirement would further encourage appraisal districts to maintain or improve their appraisal effort.

The bill would continue the state's practice of encouraging appraisal districts to appraise property at high percentages of market value thereby avoiding any significant reductions in appraisal level that would otherwise create a cost to the state through the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), or through the operation of the state's facilities funding or enrichment formulas.

The bill would take effect January 1, 2010.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS, TP