

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 30, 2009

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: HB3612 by Otto (Relating to the creation of a pilot program that allows taxpayer appeals from certain appraisal review board determinations in certain counties to be heard by the State Office of Administrative Hearings.), **Conference Committee Report**

Because it is unknown whether the results of the pilot program would result in higher or lower appraised values statewide than under current law, there could be an indeterminate fiscal impact to the state.

The bill would add new Subchapter Z to Chapter 2003 of the Government Code, regarding the State Office of Administrative Hearings (SOAH).

The new subchapter would establish a pilot program allowing property owners to appeal appraisal review board (ARB) determinations for certain real or personal properties to SOAH.

The pilot program would be implemented in Bexar, El Paso, Harris, Tarrant, and Travis counties for a three-year period beginning January 1, 2010, and would be limited to 3,000 appeals. Owners of real or personal properties appraised at more than \$1 million could protest to SOAH determinations of ARBs resulting from protests of appraised and market value or unequal appraisal. Mineral and industrial property would be excluded. A SOAH determination would preclude a district court appeal. SOAH would have rulemaking authority to implement the pilot program.

The bill would require relevant education and training for SOAH administrative law judges and would set out notice and procedural requirements. SOAH and chief appraisers for counties included in the pilot program would submit a report at the end of the pilot program to the Legislature including recommendations for future action.

Currently, the only recourse for owners of property appraised at more than \$1 million who are dissatisfied with ARB determinations is to file suit in district court. The pilot program would allow these property owners, with the exception of industrial or minerals property owners, to protest ARB determinations to SOAH. According to the Comptroller of Public Accounts, the fiscal impact of this bill to the state and units of local government resulting from the pilot program cannot be determined because the success rate of property owners appealing to SOAH cannot be predicted.

SOAH estimates, based on the projected need to hire five additional experienced Administrative Law Judges and three additional support staff, the cost of the additional work would be \$884,742 for the first year and \$836,761 per year thereafter. These costs would be reimbursable to SOAH through retention of the filing fee when the appellant loses and by billing and collecting its costs from the losing party. Accordingly, the cost to SOAH for performing the work would not have a net fiscal impact on general revenue.

The bill would take effect January 1, 2010.

Local Government Impact

Because it is unknown whether the results of the pilot program would result in higher or lower appraised values than under current law, there could be an indeterminate fiscal impact to units of local government.

Source Agencies: 360 State Office of Administrative Hearings, 304 Comptroller of Public Accounts

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