

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 29, 2009**

**TO:** Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

**IN RE: HB4117** by Bohac (Relating to the determination of the total taxable value of property in a school district under the property value study conducted by the comptroller of public accounts.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4117, As Introduced: a negative impact of (\$53,783,000) through the biennium ending August 31, 2011.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2010	\$0
2011	(\$53,783,000)
2012	(\$62,583,000)
2013	(\$72,297,000)
2014	(\$83,013,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>	<b>Probable Revenue Gain/(Loss) from School Districts - Net Impact</b>
2010	\$0	\$0
2011	(\$53,783,000)	\$53,783,000
2012	(\$62,583,000)	\$62,583,000
2013	(\$72,297,000)	\$72,297,000
2014	(\$83,013,000)	\$83,013,000

**Fiscal Analysis**

The bill would amend Chapter 403 of the Government Code, regarding the Comptroller's Office and the study of school district property values.

The bill would require the Comptroller to ensure that different levels of appraisal resulting from protests determined under Section 41.43 of the Tax Code be appropriately adjusted in the Property Value Study (PVS) by making certain adjustments in PVS samples.

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, 2009. The bill would apply to the January 1, 2009 and future studies.

## Methodology

Section 41.43 of the Tax Code prescribes procedures by which taxpayers could appeal the value of a property established by the appraisal district based on the property's appraised value, or based on the property's level of appraisal in relation to other properties in the appraisal district (equity). The appropriate procedure for ensuring that such Appraisal Review Board (ARB) property value reductions do not adversely affect Property Value Study (study) results is to stratify the school district property population based on whether they received these reductions. Study samples are grouped in the appropriate strata and the level of appraisal (ratio) in each stratum is applied to the population value in each stratum to ensure that the sample neither under-represents nor over-represents the properties for which an ARB ordered a value reduction. The International Association of Assessing Officers' *2007 Standard on Ratio Studies*, in Section 3.3, states that "Stratification facilitates a more complete and detailed picture of appraisal performance and can enhance sample representativeness." The study currently stratifies property by use, by value, and by other criteria as appropriate to increase the study's accuracy. Stratification, however, is not an option that would be permitted in the bill. The bill would require the Comptroller to either exclude from the study sample or use the pre-ARB value on ARB adjusted properties.

To the extent that the Comptroller excludes study sample properties that significantly vary such that they adversely affect the accuracy and validity of the study, or uses the pre-ARB value on such properties, the bill would create a gain to school districts and a cost to the state. These study actions would reduce the school district taxable values reported to the Texas Education Agency (TEA) for use in the state's facilities funding and enrichment funding formulas. The school district values the Comptroller reports to TEA are not used in the state's hold-harmless calculations under the provisions of HB 1, 79th Legislature, Third Called Session (2006); there would be no effect on actual tax collections and there would be no hold-harmless loss to the state or to any local taxing unit. The bill would, however, cause a transfer of additional facilities and enrichment funding from the state to school districts creating a cost to the state and an identical gain to school districts.

Note: If the school finance formulas were revised to provide the current hold harmless funding through a traditional property value based method, the cost to the state would be much greater.

## Local Government Impact

The estimated fiscal implication to school districts is reflected in the table above.

**Source Agencies:** 304 Comptroller of Public Accounts

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