

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 21, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB390 by Howard (Relating to school district ad valorem tax rates.), **As Introduced**

Passage of the bill would provide a revised procedure for calculating a school district rollback tax rate in certain school districts. The proposed new procedure could result in higher tax rates in some instances. In those instances there would be a gain to the affected school districts.

The bill would amend Chapter 26 of the Tax Code, regarding property tax assessment, to provide a revised procedure for calculating a school district rollback tax rate in certain school districts. The new procedure would apply only to a school district whose 2005 tax rate was \$1.50 or less, whose adopted tax rate was approved at an election in the 2006 tax year or any subsequent tax year, and that has adopted a tax rate equal to or higher than the rate provided by the new procedure for any tax year in the preceding 10 tax years.

The new procedure would provide that the rollback tax rate of the school district is the higher of:

1. the amount computed under the current method; or
2. the sum of:
 - a. the highest maintenance and operations tax rate adopted by the district for the 2007 tax year or any subsequent tax year in which the adopted tax rate of the district was approved at an election; and
 - b. the district's current debt rate.

The bill requires the Comptroller to conduct a study on school district adopted tax rates and report the results to the Legislature not later than December 1, 2019.

The proposed new procedure for calculating a rollback tax rate in certain school districts could result in higher tax rates in some instances. The number of instances in which the proposed new rollback rate calculation procedure would result in a higher school district tax rate cannot be predicted. The probability that a school district board would lower a tax rate because of the additional flexibility under the proposal to increase a tax rate in the future is unknown. As a result, the fiscal impact cannot be estimated.

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, 2017.

Local Government Impact

Passage of the bill would provide a revised procedure for calculating a school district rollback tax rate in certain school districts. The proposed new procedure could result in higher tax rates in some instances. In those instances there would be a gain to the affected school districts.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS