

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 15, 2017

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB486 by VanDeaver (Relating to the calculation of the rollback tax rate of a school district.), **As Engrossed**

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;
- 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; and
- that in the 2016 or any subsequent tax year has adopted a tax rate that was lower than the tax rate that is the sum of:
 - 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
 - the district's current debt rate.

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

- the amount computed under the current method; or
- the sum of:
 - 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
 - the district's current debt rate.

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 provision requiring that, for the new rollback rate procedure to apply, a school district must have adopted a tax rate lower than a tax rate calculated as specified could decrease the instances in which a school district is allowed to adopt a higher tax rate. The probability that a school district board would lower a tax rate because of the additional flexibility to increase a tax

rate in the future is unknown. As a result, the fiscal impact cannot be estimated.

The bill would take effect January 1, 2018.

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, THo, SD, SJS, KK, LCO