

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 25, 2017

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

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.), **Committee Report 1st House, Substituted**

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 to a school district only if:

1. the school district's 2005 tax rate was \$1.50 or less;
2. an adopted tax rate was approved at an election in the 2006 tax year or any subsequent tax year;
3. a tax rate equal to or higher than the rate provided by the new procedure was adopted by the school district for any tax year in the preceding 10 years.

This new procedure would not apply to a school district if all three of the following conditions are met:

1. for tax year 2007 or any subsequent tax year before 2016, the school district adopted a tax rate with a maintenance and operations (M&O) tax rate that exceeds either of the current rollback tax rate calculations for M&O and the adopted tax rate was approved at an election;
2. for tax year 2016, the school district adopted a M&O tax rate that exceeds either of the current rollback tax rate calculations for M&O and is lower than the highest M&O tax rate adopted by the school district for a tax year described above and the adopted tax rate is approved at an election; and
3. the adopted tax rate has not been approved at an election since the 2016 tax year.

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
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 proposed new procedure for calculating a rollback tax rate in certain school districts could result in higher tax rates in some instances. The bill's provision excluding certain school districts from the new procedure when an adopted tax rate has not been approved at an election since 2016

after the school district lowered the M&O rate in that year and in a previous year voters approved a higher M&O rate decreases the potential number of instances of higher tax rates. 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 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

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