**BILL ANALYSIS**

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| Senate Research Center | S.B. 1586 |
| 87R9205 CJC-D | By: Birdwell |
|  | Local Government |
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**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Central appraisal districts (CADs) are responsible for fairly determining the value of all real and business personal property in their respective counties. Each CAD's board of directors is responsible for establishing general operating policies and appointing the CAD's chief appraiser, decisions that ultimately bear a direct impact on the final appraisal process. Current state law directs that the taxing units of a CAD are responsible for appointing the CAD's board of directors, thus circumventing taxpayer input in the process. S.B. 1586 seeks to increase a CAD's accountability to its taxpayers.

Under the legislation, every CAD's board would be composed of five appointed directors. The commissioners court of every county, by majority vote, will appoint all five directors to their corresponding CAD board. All appointments must derive from a list of nominees furnished by the CAD's participating taxing units. One director shall be appointed from each of the four commissioners' precincts in the county in which the appraisal district is established and one director shall be appointed from the county at large. By tying board appointments to the directly elected commissioners of each county, taxpayers are given a voice in the appraisal process.

Since the commissioners court will ultimately determine board composition, counties are excluded from weighing in on the nomination process. Depending on the size of the taxing unit's tax base, it will be afforded anywhere from one to five nominations. Vacancies are to be filled through the exact same process as typical appointments. If a vacancy occurs as a result of a recall, the position will also be filled in the same manner. A sitting director does not become ineligible to serve if they are drawn out of their precincts during the pendency of their term. The legislation repeals all provisions granting the directors power to change the configuration and size of the board. Lastly, the threshold for taxing units to veto a budget or decision of the CAD board is increased from 1/2 the units to 2/3 or more.

As proposed, S.B. 1586 amends current law relating to the governance and administration of an appraisal district.

**RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 5.12(b), Tax Code, as follows:

(b) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), at the written request of the governing bodies of a majority of the taxing units participating in an appraisal district or of a majority of the taxing units entitled to nominate candidates for appointment as appraisal district directors (director), rather than taxing units entitled to vote on the appointment of directors, to audit the performance of the appraisal district.

SECTION 2. Amends Section 5.13(h), Tax Code, as follows:

(h) Authorizes the comptroller, at any time after the request for a performance audit of an appraisal district is made, to discontinue the audit in whole or in part if requested to do so by:

(1) makes no change to this subdivision;

(2) the governing bodies of a majority of the taxing units entitled to nominate candidates for appointment as, rather than taxing units entitled to vote on the appointment of, directors, if the audit was requested by a majority of those units; or

(3) makes nonsubstantive changes to this subdivision.

SECTION 3. Amends Section 6.03, Tax Code, by amending Subsections (a), (c), (d), (e), (g), (j), (k), and (l) and adding Subsections (a-1), (a-2), (a-3), (d-1), and (m), as follows:

(a) Provides that five directors are appointed by the commissioners court of the county in which the appraisal district is established from a list of nominees nominated in the manner provided by Section 6.03 (Board of Directors). Requires the commissioners court to appoint one director from each of the four commissioners precincts in the county and one director at large from the county. Deletes existing text providing that the five directors are appointed by the taxing units that participate in the district as provided by this section.

(a-1) Creates this subsection from existing text and makes no further changes.

(a-2) Creates this subsection from existing text. Requires an individual other than a county assessor-collector serving as a nonvoting director, to be eligible to serve on the board of directors, to:

(1) be a resident of:

(A) the commissioners precinct from which the office is appointed, in the case of a director appointed from a commissioners precinct; or

(B) the county in which the appraisal district is established, in the case of a director appointed at large; and

(2) have resided in the district, and if appointed from a commissioners precinct, in that commissioners precinct, for at least two years immediately preceding the date the individual takes office.

Makes nonsubstantive changes.

(a-3) Creates this subsection from existing text and makes no further changes.

(c) Requires the governing bodies of the incorporated cities and towns, the school districts, the junior college districts, and the conservation and reclamation districts that participate in the appraisal district to nominate nominees to serve on the board of directors of the district in the manner provided by Subsection (d). Deletes existing text relating to the circumstances by which certain members of the board of directors are elected and by which the entities that nominate nominees to serve on the board of directors are authorized to vote.

(d) Provides that the number of nominees that a taxing unit that is entitled to make nominations is authorized to nominate is determined by dividing the total dollar amount of property taxes imposed in the district by the taxing unit for the preceding tax year by the sum of the total dollar amount of property taxes imposed in the district for that year by each taxing unit that is entitled to make nominations multiplying the quotient by 100 and rounding the product to the nearest tenth. Provides that, if that number is:

(1) less than one, the taxing unit is authorized to nominate one nominee who resides in the commissioners precinct of the county in which the appraisal district is established in which a majority of the taxing unit is located;

(2) one or more but less than five, the taxing unit is authorized to nominate two nominees who reside in a commissioners precinct of the county in which the appraisal district is established in which any part of the taxing unit is located;

(3) five or more but less than 10, the taxing unit is authorized to nominate three nominees who reside in a commissioners precinct of the county in which the appraisal district is established in which any part of the taxing unit is located;

(4) 10 or more but less than 20, the taxing unit is authorized to nominate four nominees who reside in a commissioners precinct of the county in which the appraisal district is established in which any part of the taxing unit is located; or

(5) 20 or more, the taxing unit is authorized to nominate four nominees who reside in a commissioners precinct of the county in which the appraisal district is established in which any part of the taxing unit is located and one nominee who resides anywhere in the county.

Deletes existing text providing that the voting entitlement of a taxing unit that is entitled to vote for directors is determined by dividing the total dollar amount of property taxes imposed in the district by the taxing unit for the preceding tax year by the sum of the total dollar amount of property taxes imposed in the district for that year by each taxing unit that is entitled to vote, by multiplying the quotient by 1,000 and by rounding the product to the nearest whole number. Deletes existing text providing that the number used to determine voting entitlement is multiplied by the number of directorships to be filled. Makes conforming and nonsubstantive changes.

(d-1) Creates this subsection from existing text. Provides that a taxing unit participating in two or more appraisal districts is entitled to nominate nominees for director in each district in which it participates, but only the taxes imposed in a district are used to calculate the number of nominees the taxing unit is entitled to nominate in that district. Makes conforming changes.

(e) Requires the chief appraiser to calculate the number of nominees each taxing unit is entitled to nominate, rather than the number of votes to which each taxing unit other than a conservation and reclamation district is entitled, and to deliver written notice to each of those taxing units of that number before October 1 of each odd-numbered year. Makes conforming changes. Requires the chief appraiser to deliver the notice:

(1) and (2) makes no changes to these subdivisions;

(3) and (4) makes conforming and nonsubstantive changes to these subdivisions; and

(5) to the presiding officer of each conservation and reclamation district participating in the appraisal district.

(g) Provides that each taxing unit nominates candidates by resolution adopted by its governing body.Authorizes the governing body to nominate any number of nominees, provided that the total number of nominees nominated does not exceed the number contained in the notice provided under Subsection (e). Requires the presiding officer of the governing body of the taxing unit, rather than of the unit, to submit the names of the taxing unit's, rather than unit's, nominees to the chief appraiser before October 15. Makes conforming changes.

(j) Requires the chief appraiser, before October 30, to prepare a list of the nominees, rather than a ballot listing the candidates, whose names were timely submitted under Subsection (g) alphabetically according to the first letter in each nominee's surname, and to deliver a copy of the list to the commissioners court of the county in which the appraisal district is established. Deletes existing text requiring the chief appraiser to deliver a copy of the ballot to the presiding officer of the governing body of each taxing unit that is entitled to vote. Makes conforming changes.

(k) Requires the commissioners court of the county in which the appraisal district is established by majority vote of its members to select from the list provided under Subsection (j) five nominees who meet the appropriate residency requirements to serve as members of the board of directors of the district and submit the results before December 31 to the governing body of each taxing unit in the district and to the nominees. Deletes existing text relating to certain entities entitled to vote and the chief appraiser's required duties after the vote takes place.

(l) Provides that a vacancy on the board of directors, other than a vacancy in the position held by a county assessor-collector serving as a nonvoting director, is filled in the manner provided by this subsection. Authorizes each taxing unit that is entitled to make nominations under Section 6.03 if the vacancy is in the position representing the whole county for which the appraisal district is established, to nominate by resolution adopted by its governing body a nominee to fill the vacancy. Authorizes each taxing unit that is entitled to make nominations under Section 6.03 any part of which is located in that commissioners precinct, if the vacancy is in a position representing a commissioners precinct, to nominate by resolution adopted by its governing body a nominee to fill the vacancy. Requires a nominee to meet the applicable residency requirement under Subsection (a-2) for the vacant position. Requires the taxing unit to submit the name of its nominee to the chief appraiser within 45 days after notification from the board of directors of the existence of the vacancy, and requires the chief appraiser to prepare and deliver to the commissioners court of the county in which the appraisal district is established, rather than to the board of directors, within the next five days a list of the nominees. Requires the commissioners court, rather than the board of directors, to elect by majority vote of its members one of the nominees to fill the vacancy. Makes conforming and nonsubstantive changes.

(m) Provides that, if as a result of a change in the boundaries of a commissioners precinct an individual serving as a director no longer resides in the precinct from which the office is appointed, the individual is not for that reason disqualified from office during the remainder of the term of office being served at the time the boundary change takes effect. Provides that, if as a result of a change in the boundaries of a commissioners precinct an individual appointed as a director before the boundary change to a term that begins after the boundary change no longer resides in the precinct from which the office is appointed, the individual is not for that reason disqualified from serving the term to which the individual is appointed.

SECTION 4. Amends Sections 6.033(a), (b), (c), and (d), Tax Code, as follows:

(a) Authorizes the governing body of a taxing unit to call for the recall of a member of the board of directors of an appraisal district appointed under Section 6.03 whom the taxing unit nominated for appointment to, rather than for whom the unit cast any of its votes in the appointment of, the board. Requires that the call be in the form of a resolution, be filed with the chief appraiser of the appraisal district, and state that the taxing unit is calling for the recall of the member. Requires the chief appraiser, not later than the 10th day after the date of filing, if a resolution calling for the recall of a board member is filed under this subsection, to deliver a written notice of the filing of the resolution and the date of its filing to the presiding officer of the governing body of each taxing unit entitled to nominate candidates for appointment as board members. Makes conforming changes.

(b) Authorizes the governing body of a taxing unit that nominated that member for appointment to the board on or before the 30th day after the date on which a resolution calling for the recall of a member of the board is filed, to vote to recall the member by resolution submitted to the chief appraiser. Authorizes the governing body of the taxing unit calling for the recall to cast its vote in favor of the recall in the same resolution in which it called for the recall. Deletes existing text providing that each taxing unit is entitled to the same number of votes in the recall as it cast for that member in the appointment of the board. Makes conforming changes.

(c) Provides that if only one taxing unit nominated the member for appointment to the board and that taxing unit votes in favor of the recall, the member is recalled and ceases to be a member of the board. Provides that if more than one taxing unit nominated the member for appointment to the board and a majority of those taxing units vote in favor of the recall, the member is recalled and ceases to be a member of the board. Deletes existing text providing that if the number of votes in favor of the recall equals or exceeds a majority of the votes cast for the member in the appointment of the board, the member is recalled and ceases to be a member of the board.

(d) Provides that a vacancy on the board of directors that results from the recall of a member of the board under Section 6.033 (Recall of Directors) is filled in the same manner a vacancy on the board is filled under Section 6.03, except that only the taxing units that were entitled to vote in the recall election are authorized to nominate a nominee to replace the recalled member. Deletes existing text requiring the taxing units that were entitled to vote in the recall election, if a vacancy occurs on the board of directors after the recall of a member of the board under this section, to appoint a new board member. Deletes existing text relating to the certain entitlements of a taxing unit and the procedures certain officers are required to follow during a vote in a recall.

SECTION 5. Amends Section 6.037, Tax Code, as follows:

Sec. 6.037. PARTICIPATION OF CONSERVATION AND RECLAMATION DISTRICTS IN APPRAISAL DISTRICT MATTERS. Provides that in Title 1 (Property Tax Code), a reference to the taxing units entitled to nominate nominees for appointment as appraisal district board members includes the conservation and reclamation districts participating in the appraisal district, rather than participating in the appraisal district without regard to whether the conservation and reclamation districts are currently entitled to do so under Section 6.03(c). Provides that, in a provision of Title 1 other than Section 6.03, rather than other than Section 6.03 or 6.031 (Changes in Board Membership or Selection), that grants authority to a majority or other number of the taxing units entitled to nominate nominees for appointment as appraisal district directors, including the disapproval of the appraisal district budget under Section 6.06 (Appraisal District Budget and Financing) and the disapproval of appraisal district board actions under Section 6.10, the conservation and reclamation districts participating in the appraisal district are given the vote or authority of one taxing unit. Makes conforming changes.

SECTION 6. Amends Section 6.051(b), Tax Code, as follows:

(b) Requires that the acquisition or conveyance of real property or the construction or renovation of a building or other improvement by an appraisal district be approved by the governing bodies of three-fourths of the taxing units entitled to nominate nominees for appointment as, rather than vote on the appointment of, board members.

SECTION 7. Amends Sections 6.06(a), (b), and (i), Tax Code, to make conforming changes.

SECTION 8. Amends Sections 6.061(b) and (e), Tax Code, to make conforming changes.

SECTION 9. Amends Section 6.063(b), Tax Code, to make conforming changes.

SECTION 10. Amends Section 6.10, Tax Code, as follows:

Sec. 6.10. DISAPPROVAL OF BOARD ACTIONS. Provides that if the governing bodies of two-thirds, rather than of a majority, of the taxing units entitled to nominate nominees for appointment as board members, rather than entitled to vote on the appointment of board members, adopt resolutions disapproving an action, other than adoption of the budget, by the appraisal district board of directors and file them with the secretary of the board within 15 days after the action is taken, the action is revoked effective the day after the day on which the required number of resolutions is filed.

SECTION 11. Repealers: Sections 6.03(f) (relating to the requirement that the chief appraiser calculate the number of votes for certain districts entitled to vote for district directors and to deliver written notice to relevant actors), (h) (relating to voting and nomination place duties for each conservation and reclamation districts and their officers), and (i) (relating to the requirement that the chief appraiser take certain actions in an election of a conservation and reclamation district), Tax Code.

Repealer: Section 6.031 (Changes in Board Membership or Selection), Tax Code.

Repealer: Section 6.033(e) (relating to authorizing the governing bodies of certain taxing units to recall a certain member and appoint a new member to the vacancy by any method adopted by resolution), Tax Code.

Repealer: Section 6.034 (Optional Staggered Terms for Board of Directors), Tax Code.

SECTION 12. (a) Requires appraisal district directors to be appointed in each appraisal district as provided by Section 6.03, Tax Code, as amended by this Act, to serve terms that begin January 1, 2022.

(b) Provides that the change in the manner of selection of appraisal district directors made by this Act does not affect the selection of appraisal district directors serving before January 1, 2022.

(c) Provides that the term of an appraisal district director serving on December 31, 2021, expires on January 1, 2022.

SECTION 13. (a) Effective date, this Act except as provided by Subsection (b) of this section: January 1, 2022.

(b) Effective date, this section and Section 12 of this Act: September 1, 2021.