

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 25, 2021

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1436 by Bettencourt (Relating to the appeal of a determination by the comptroller of public accounts of a protest of the comptroller's findings in a study of school district property values.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1436, As Introduced : a negative impact of (\$670,000) through the biennium ending August 31, 2023.

Passage of the bill would authorize a property owner subject to a determination of protest to join as a party to an appeal, with written approval of the protesting school district. The judicial review would be de novo and would allow the court to order specific changes to the property value study if it determined that the Comptroller has acted arbitrarily without regard to the facts or if Comptroller findings are not supported by a preponderance of the evidence presented at the hearing. Increasing the evidence standard and providing for a de novo review of Comptroller determinations could provide more incentive for school districts to file suit at district court if they are not satisfied with the outcome of the protest hearing. The number of cases and value of properties under protests that would file suit in district court is unknown. Depending how the increase in the number of district court cases might impact property value study appeals, there could be an indeterminate fiscal impact to the state in addition to the administrative costs to the Comptroller's office of (\$670,000) in the biennium ending August 31, 2023.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	(\$335,000)
2023	(\$335,000)
2024	(\$335,000)
2025	(\$335,000)
2026	(\$335,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2021
2022	(\$335,000)	1.0
2023	(\$335,000)	1.0
2024	(\$335,000)	1.0
2025	(\$335,000)	1.0
2026	(\$335,000)	1.0

Fiscal Analysis

The bill would amend the Government Code regarding the Comptroller's study of school district property values, to allow a property owner subject to a determination of protest to join as a party to an appeal, with written approval of the protesting school district. The bill provides that the judicial review be de novo and allows the court to order specific changes to the property value study (PVS) if determined that the Comptroller has acted arbitrarily without regard to the facts or if Comptroller findings are not supported by a preponderance of the evidence presented at the hearing.

The bill would take effect January 1, 2022.

Methodology

Increasing the evidence standard and providing for a de novo review of Comptroller determinations could provide more incentive for school districts to file suit at district court if they are not satisfied with the outcome of the protest hearing. The number of cases and value of properties under protests that would file suit in district court is unknown. Depending how the increase in the number of district court cases might impact property value study appeals, there could be an indeterminate fiscal impact to the state.

The Comptroller's office anticipates administrative costs of \$335,000 per year. The costs include an estimated \$200,000 per year for professional services and \$135,000 per year associated with staffing costs needed to hire one Attorney V to handle the anticipated increase in judicial actions. The Comptroller's office expects an increase in case filings at the State Office of Administrative Hearings (SOAH), district court, and on appeal. Additionally, the de novo standard of review would increase the workload to defend each case before SOAH, and to support appeals in the district courts of Travis County. A de novo review will require substantial participation on the part of the property value study (PVS) team, experts, and attorneys. Because the Property Tax Assistance Division PVS team must continue to meet statutory deadlines with the next property value study, the Comptroller would contract for professional services for the time that will be spent in active defense of these cases.

Local Government Impact

Increasing the evidence standard and providing for a de novo review of Comptroller determinations could provide more incentive for school districts to file suit at district court if they are not satisfied with the outcome of the protest hearing. The number of cases and value of properties under protests that would file suit in district court is unknown. Depending how the increase in the number of district court cases might impact property value study appeals, there could be an indeterminate fiscal impact to the school districts.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, AF, SD, BRI