

SUBJECT: Requiring notice if county and city budgets raise additional property taxes

COMMITTEE: Local Government Ways and Means — committee substitute recommended

VOTE: 7 ayes — Hill, Creighton, Elkins, C. Howard, Puente, Quintanilla, Villarreal

0 nays

WITNESSES: For — John Kennedy, Texas Taxpayers and Research Association (*Registered, but did not testify*: Jim Allison, County Judges and Commissioners Association of Texas; John Kroll, Town of Little Elm; James LeBas, Association of Electric Companies of Texas; Donald Lee, Texas Conference of Urban Counties; Daniel Gonzalez, Texas Association of Realtors; Michele Gregg, Texas Apartment Association; Bennett Sandlin, Texas Municipal League; Jim Robinson; Buddy Winn)

Against — None

BACKGROUND: Local Government Code, ch. 102 governs requirements for a municipality's budget preparation and ad valorem tax rate. Local Government Code, ch. 111 governs the same requirements for a county budget, with separate provisions for counties of more than 225,000 people and alternative procedures for counties of more than 125,000 people.

Municipalities and counties are required to file a publicly accessible proposed budget with their respective clerk. A city manager or mayor must submit this at least 30 days prior to the date the governing body levies taxes for the fiscal year. A county judge in a smaller county must complete its proposed budget for the successive year during the seventh or tenth month of the fiscal year, and a county auditor in a large county must prepare a budget on or after the start of the fiscal year.

Municipalities and counties are required to schedule a public hearing on their proposed budget before the date they levy taxes and publish notice 10 to 30 days prior to the hearing. Their governing bodies must take action on the budget at the conclusion of this hearing and file the approved budget with the respective clerk, and, if applicable, the auditor. A municipality's

governing board must conduct the hearing at least 15 days after filing its proposed budget. A commissioners court of a smaller county must conduct a hearing after the 15th day of the month after the month in which the budget was filed. A commissioners court of a larger county or a county eligible for alternative procedures must conduct the hearing within 10 days after filing its proposed budget, but before the last day of the first month of the fiscal year.

A municipality governed by charter provisions that require preparation of an annual budget covering all municipal expenditures needs to adhere only to the hearing requirements covering budget preparation. A copy of the proposed and approved budgets must be filed with the county clerk.

Current truth-in-taxation laws do not provide a budgetary mechanism to notify taxpayers at the budgeting stage when total property taxes increase. The effective tax rate can identify increases on existing homes and businesses but does not cover increased levies as a result of property added to the tax rolls since the previous year.

DIGEST:

CSHB 3195 would amend current statutes governing city and county budget preparations to create requirements in the event that an entity raised more total property taxes than the prior year.

If a proposed county or municipal budget would require raising more revenue in property taxes than the prior year, a mayor, city manager, or county judge would have to include on the cover page a specific statement in 18-point type or larger. It would detail the increase in total raised property taxes over the previous year and the amount of tax revenue that would be raised from new property added to the tax roll. The proposed budget featuring this notice would have to be posted on the entity's Web site, if applicable, and in required hearing notices in 18-point type or larger. A municipality governed by charter provisions would be required to adhere to this section.

Any county or municipality budget that would require raising more revenue from property taxes than the previous year would necessitate a separate ratification vote than the vote required for adoption of the budget and setting of the tax rate under Tax Code, ch. 26, or other provisions. Once approved, a city or county budget would have to be posted on its Web site, if applicable.

The bill would take effect on September 1, 2007, and apply to budgets adopted on or after the effective date.