

- SUBJECT:** Modifying requirements for the school district property value study
- COMMITTEE:** Public Education — committee substitute recommended
- VOTE:** 11 ayes — Dutton, Lozano, Allison, K. Bell, Bernal, Buckley, Huberty, K. King, Meza, Talarico, VanDeaver
- 1 nay — Allen
- 1 absent — M. González
- WITNESSES:** For — Tommy Watson, Galveston Central Appraisal District; Cheryl Johnson, Galveston County Tax Office; (*Registered, but did not testify:* Elizabeth Nezda Orr, AT&T; Calvin Tillman; Al Zito)
- Against — None
- On — (*Registered, but did not testify:* Korry Castillo, Comptroller of Public Accounts; Leonardo Lopez and Eric Marin, Texas Education Agency)
- BACKGROUND:** Government Code sec. 403.302 requires the comptroller to conduct an annual study to determine the total taxable value of all property in each school district. If after conducting the study the comptroller determines that the local value for a school district is valid, the local value is presumed to represent taxable value for the district. In determining whether the local value for a district is valid, the comptroller must use a margin of error that does not exceed 5 percent, with certain exceptions.
- Under sec. 403.302(1), if after conducting the required study for a year the comptroller determines that a school district is an eligible school district, for that year and the following year the taxable value for the school district is the district's local value.
- Under sec. 403.3011(2), an "eligible school district" means a district for which the comptroller has determined the aggregate local value of all of

the categories of property sampled by the comptroller is not less than 90 percent of the lower limit of the margin of error in the most recent study, among other requirements.

Some have suggested that the current margin of error in the school district property value study provides an incentive for appraisal districts to overestimate these values.

DIGEST: CSHB 1568 would raise the maximum margin of error for the comptroller's property value study under Government Code sec. 403.302 from 5 percent to 7.5 percent.

The bill also would amend the definition of "eligible school district" to lower the floor for aggregate local value of all the categories of property sampled by the comptroller to 85 percent, rather than 90 percent, of the lower limit of the margin of error.

The bill would apply only to the annual study conducted for a tax year beginning on or after January 1, 2022.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2021.

NOTES: According to the Legislative Budget Board, the bill could result in taxable values being reduced and the related costs to the Foundation School Fund being increased through the operation of the school finance formulas.