

## BILL ANALYSIS

Senate Research Center

C.S.S.B. 671  
By: Staples  
Education  
4/24/2003  
Committee Report (Substituted)

### DIGEST AND PURPOSE

Currently, property taxes are paid according to the appraised values determined by county appraisal districts. At the same time, any state funding which a school district may receive is based on the findings of the annual Property Value Study (PVS) conducted by the comptroller of public accounts. The PVS figures and the local appraised values may not agree, in which case a district may lose some state funding. C.S.S.B. 671 establishes a temporary “grace period” for state funding to school districts that are eligible; enforces accountability measures through mandatory appraisal standards review for eligible appraisal districts and through mandatory appraisal standards review for eligible appraisal districts through discretionary audits of appraisal districts; and technical changes to ensure greater funding equity and improved audit and reporting procedures.

### RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 2 (Section 403.302, Government Code) and SECTION 4 (Section 5.102, Tax Code) of this bill.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 403.301, Government Code, as follows:

Sec. 403.301. PURPOSE. (a) Sets forth the purpose of this section.

(b) Defines “annual study,” “eligible school district,” “local value,” and “state value.”

SECTION 2. Amends Section 403.302, Government Code, by amending Subsections (c) and (h) and adding Subsections (l) and (m), as follows:

(c) Provides that if the comptroller of public accounts (comptroller) determines in the annual study that local value is valid, local value is presumed to represent taxable value. Provides that in the absence of such a presumption, taxable value is the state value determined by the comptroller under Subsections (a) and b, unless local value exceeds state value, in which case, local value is required to represent taxable value. Deletes text regarding the market value of property in a school district as determined by the appraisal district.

(h) Authorizes the comptroller to audit the total taxable value of property in a school district and authorizes to revise the findings of value in response to a request by a school district or the commissioner of education. Provides that the grounds for a request for a revision audit are limited to corrections and changes in a school’s tax roll that occurred after preliminary certification of the annual study findings. Requires the request for a revision audit to be filed with the comptroller within three years after the final certification of findings to the commissioner of education (commissioner), except for changes in value due to judicial determinations and material reductions in value resulting from corrections of appraisal rolls made under Section 25.25, (Correction of Appraisal Roll), Tax Code, that may be requested within one year after certification of the changes to the appraisal rolls by the chief appraiser. Authorizes the comptroller to adopt

rules to facilitate the efficient audit of total taxable value. Requires the comptroller to certify its finding to the commissioner of education. Deletes text authorizing the comptroller upon the request of the commissioner or a school district to audit a school district to determine the total taxable value of property. Deletes text regarding the productivity values of land. Makes nonsubstantive changes.

(l) Requires the comptroller, beginning with the annual study conducted for the year 2004, to substitute local value for state value in an eligible school district and requires local value to represent taxable value in the annual study for which the school district becomes eligible and in the annual study immediately following the annual study for which the school district becomes eligible. Requires the comptroller, within 12 months of the substitution of local value for state value as provided by this subsection, to complete an appraisal standards review of the appraisal district that appraises property for the school district, under Section 5.102 (Review of Appraisal Standards), Tax Code.

(m) Requires the commissioner, if the comptroller has certified local value as taxable value for a school district in which local value is invalid and exceeds state value, as provided by Subsection (c), to compute the amount by which each district's allocation of the state funding is affected by this certification, rather than a certification of state value. Requires the total amount of state funding difference to be allocated proportionately to the school districts with certified state values and maintenance and operation tax rates that exceed \$1.42. Provides that this subsection applies only to school funding for fiscal years 2004 and 2005.

SECTION 3. Amends Subsection Section 5.07(c), Tax Code, to require the record system to include a compilation of information concerning sales of property within the boundaries of the appraisal district. Requires the sales information maintained in the uniform record system to be submitted annually in a form prescribed by the comptroller for use in conducting the annual study of school district property values under Section 403.302 (Determination of School District Property Values), Government Code.

SECTION 4. Amends Section 5.102, Tax Code, as follows:

(a) Requires the comptroller to review the appraisal standards, procedures, and methodology used by each appraisal district in which the comptroller finds that a school is an eligible school district as defined by Section 403.301(b) (Purpose), Government Code, to determine compliance with generally accepted appraisal standards and practices. Authorizes the comptroller to establish by rule procedures and standards for conducting the review.

(b) Adds the superintendent and board of trustees of each school district participating in the appraisal district to the list of recipients of the comptroller's report.

(c) Provides that the comptroller, in conducting the review, is entitled to access all records and reports of the appraisal district and to the assistance of appraisal district employees or officers. Deletes text authorizing the comptroller to appoint a special master if the district is found to be in noncompliance after two consecutive reviews. Deletes text requiring the appraisal district to bear the cost for the master's supervision and control.

(d) Requires the comptroller, if the appraisal district fails to comply with the recommendations made in the review, and the comptroller finds that the appraisal district board of directors failed to take remedial action within one year after the issuance of the review, to notify the district judge serving in the county, who shall appoint a five-member of conservators to implement the recommendations. Requires the members of the board of conservators to exercise supervision and

control over the operations of the appraisal district until all school districts for which the appraisal district appraises property are determined by the comptroller to have valid local value under, Subchapter M, Chapter 403 (Study of School District Property Values), Government Code, in the same annual study. Requires the appraisal district to bear the costs related to the supervision and control by the board of conservators.

SECTION 5. Amends Section 5.12, Tax Code, by adding Subsection (h), to require the comptroller, in addition to the performance audits required by Subsections (a), (b) and (c) and the review of appraisal standards required by Section 5.102, to audit an appraisal district to analyze the effectiveness and efficiency of policies, management, and operations of the appraisal district. Requires the results of the audit to be delivered in a report that details the comptroller's findings and recommendations for improvement to the appraisal district's chief appraiser and board of directors and the governing bodies of all taxing units participating in the appraisal district. Authorizes the comptroller to require reimbursement by the appraisal district for some or all of the costs of the audit, not to exceed the actual cost associated with conducting the audit.

SECTION 6. Effective date: upon passage or September 1, 2003.