

SUBJECT: Notice and hearing requirements when adopting local school tax rates

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 8 ayes — Oliveira, McCall, Bonnen, Craddick, Y. Davis, Heflin, Keffer, Ramsay

0 nays

3 absent — Hilbert, T. King, Sadler

SENATE VOTE: On final passage, Local and uncontested calendar, April 8 — 30-0

WITNESSES: None

BACKGROUND: Under current law, adopted in 1997, a governing body must hold two public hearings before adopting an ad valorem property tax rate that, if applied to the taxing unit's total taxable value, would impose an amount of taxes that exceeded the previous year's total levy. Before the 1997 change, a governing body was required to hold a public hearing if it sought to adopt a tax rate that exceeded either the rollback tax rate or 103 percent of the effective tax rate as calculated under Tax Code, sec. 26.04.

An affected governing body must hold two public meetings on its tax rate. It must publish a quarter-page newspaper ad at least one week before each public hearing to announce the hearing and describe the proposed tax rate.

DIGEST: CSSB 693 would exempt school districts from the notification requirements of sec. 26.04, Tax Code, and establish new procedures under sec. 44.004, Education Code. The new procedure would allow a school board to discuss and vote on a proposed ad valorem tax rate in a single meeting, not two meetings as required for all other taxing units.

The bill would require a school board to publish notification of a public meeting during which the board would discuss and adopt the annual budget and proposed tax rate. The bill would require this notice to be no smaller than a quarter-page newspaper advertisement and would stipulate the text of this advertisement. It would have to contain a section comparing the proposed

rates with the previous year's tax rate. It also would have to show the average local and state revenue per student, and the average market value of residences, for both years. The board still would be required to adopt the budget before adopting the tax rate.

The bill would prohibit a taxing unit, other than a school district, from adopting a tax rate that exceeded the lower of the rollback rate or 103 percent of the effective tax rate until the governing body held a public hearing and otherwise complied with sec. 26.06, Tax Code.

The bill would make conforming changes to the notification requirements, including changes in the required text of the quarter-page newspaper advertisements that served as notification of the public hearing at which the vote would be taken. It would require these advertisements to include a statement that the adoption of a tax rate equal to the current tax rate would result in an increase or decrease of taxes levied from the previous year.

CSSB 693 would take effect on September 1, 1999, and apply to the adoption of ad valorem tax rates for tax years beginning on or after January 1, 2000.

NOTES:

The committee substitute added the new notification procedures for school districts.

The House has finally passed two bills relating to the procedures for public notification of proposed ad valorem tax rates: HB 954 by Uher and HB 1520 by Junell.

HB 954, as amended, would prohibit a taxing unit from adopting a tax rate that exceeded the lower of the rollback rate or 103 percent of the effective tax rate until the governing body held a public hearing and otherwise complied with sec. 26.06, Tax Code. Mandatory newspaper advertisements notifying the public of the two hearings would have to include a statement that the adoption of a tax rate equal to the current tax rate would result in an increase or decrease of taxes levied from the previous year. HB 954 also would require a governing body to provide supplemental notice via its Internet site or cable television station, if applicable. HB 954 passed the House on May 8 and was reported favorably

without amendment by the Senate Intergovernmental Relations Committee on May 14 and recommended for the Senate Local and Uncontested Calendar.

HB 1520 would establish a simplified tax-rate notice for taxing units with low tax levies. It would apply only to taxing units for which the total tax rate proposed for a tax year was 50 cents or less per \$100 of taxable value and would result in a total tax levy of \$500,000 or less when applied to the unit's current total value. Affected taxing units would be exempt from current notice and publication requirements and would not be subject to an injunction for failing to comply with those requirements. They could mail a notice of the proposed rate to each owner of taxable property or publish a notice in the legal-notices section of a local general-circulation newspaper. HB 1520 has passed both houses and was sent to the governor on May 17.