

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1804
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Finance
4/27/1999
Committee Report (Substituted)

DIGEST

Currently, the property tax rollback rate can be adjusted when one governmental unit transfers a department or function to another governmental unit; these are usually transfers of departments between cities and counties. The language in the law assumes complete transfers of functions or departments and does not allow one governmental unit to assume a greater financial responsibility for simultaneous functions conducted by both governmental units through separate departments. Travis County and the city of Austin both operate EMS departments. The city of Austin serves areas outside its corporate boundaries, which Travis County would like to serve, including other incorporated cities in Travis County; however, because of the rollback tax rate law, neither Travis County nor the city of Austin can transfer a portion of the EMS function without subjecting themselves to a greater risk of exceeding the rollback tax rate in the next fiscal year. In addition, a governmental unit giving up all or part of a function has its property tax rollback decreased dollar for dollar in property taxes, even though property taxes may comprise only a portion of the general fund budget spent on the function. C.S.S.B. 1804 would set forth provisions for the calculation of a tax rollback rate.

PURPOSE

As proposed, C.S.S.B. 1804 sets forth provisions for the calculation of a tax rollback rate.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 26.04, Tax Code, by amending Subsections (e), (i), and (j), and adding Subsections (k) and (l), as follows:

(e) Requires a designated officer or employee to deliver by mail to each property owner in the taxing unit (unit) or to publish in a newspaper in the form prescribed by the comptroller of public accounts (comptroller), in the year that a unit calculates an adjustment under Subsections (i) or (j), the unit shall publish a schedule that includes the name of the unit transferring responsibility for funding of the department, function, or activity; the name of the unit that accepts funding responsibility for, rather than operates, a distinct department, function, or activity in all or a majority of the territory of a taxing unit that has transferred responsibility for funding of the distinct department, function, or activity, rather than discontinued the distinct department, function, or activity; and requires the unit, in the year following the year in which a taxing unit raised its rollback rate as required by Subsection (j), the unit shall publish a schedule that includes the amount of property tax revenue spent by the unit to fund, rather than to operate, the department, function, or activity.

(i) Provides that this subsection applies to a taxing unit that has agreed by written contract to transfer all or a part of the responsibility for funding a distinct department, function, or activity to another taxing unit and reduces its taxation for the purpose of funding, rather than discontinues operating, that distinct department, function or activity if that reduced portion of the funding, rather than operation, to that department, function, or activity in all or a majority of the territory of the taxing unit is continued by another existing taxing unit or by a new taxing unit. Provides that the rollback tax rate of a taxing unit to which this subsection applies in the first tax year in which a budget is adopted that reduces the funding of the department, function, or activity is calculated as otherwise provided by this section, except that last year's levy used to calculate the

effective maintenance and operations rate of the unit is reduced by the decrease in the amount of maintenance and operations tax revenue spent by the taxing unit on the department, function, or activity compared to the amount of maintenance and operations tax revenue spent in the 12 months preceding the month in which the calculations required by this chapter are made. Requires the unit to reduce last year's levy used for calculating the effective maintenance and operations rate of the unit by the amount of the decrease in the amount of maintenance and operations tax compared to the amount of revenue spent in the last full fiscal year in which the unit funded all of part of the department, function, or activity. Deletes text providing that the rollback tax rate of a taxing unit to which this subsection applies in the first tax year in which a budget is adopted that does not allocate revenue to the discontinued department, function, or activity is calculated as otherwise provided by this section, except for the 12 months preceding the month in which the calculations required by this chapter are made and in which the unit operated the discontinued department, function, or activity.

(j) Authorizes a unit to increase last year's levy used to calculate the effective maintenance and operations rate, if the unit did not fund the department, function, or activity for the full 12 months preceding the month in which the calculations required by this chapter are made. Makes conforming changes.

(k) Defines "funding."

(l) Provides that, notwithstanding any other provision of this section, the rollback tax rate of a taxing unit is increased or reduced under Subsection (i) or (j) only in the amount of ad valorem tax revenue spent by the taxing unit on that part of the funding of the department, function, or activity that is assumed or discontinued by the taxing authority. Authorizes the taxing unit to use any reasonable method to calculate the amount of ad valorem tax revenue that is or has been spent to fund the department, function, or activity, if the department, function, or activity has been funded by revenue sources other than ad valorem taxes.

SECTION 2. Effective date: September 1, 1999.

SECTION 3. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Subsection (e), Section 26.04, Tax Code, to require a designated officer or employee to deliver by mail to each property owner in the taxing unit (unit) or to publish in a newspaper in the form prescribed by the comptroller of public accounts (comptroller), in the year that a unit calculates an adjustment under Subsections (i) or (j), the unit shall publish a schedule that includes the name of the unit transferring responsibility for funding of the department, function, or activity; the name of the unit that accepts funding responsibility for, rather than operates, a distinct department, function, or activity in all or a majority of the territory of a taxing unit that has transferred responsibility for funding of the distinct department, function, or activity, rather than discontinued the distinct department, function, or activity; and requires the unit, in the year following the year in which a taxing unit raised its rollback rate as required by Subsection (j), the unit shall publish a schedule that includes the amount of property tax revenue spent by the unit to fund, rather than to operate, the department, function, or activity.

Amends Subsection (j), Section 26.04, Tax Code, to authorize a unit to increase last year's levy used to calculate the effective maintenance and operations rate, if the unit did not fund the department, function, or activity for the full 12 months preceding the month in which the calculations required by this chapter are made.