

Appraisal District Budget & Reserve Fund Transparency

Closing the disclosure gap between CAD cost allocations and unspent, reserved funds

The Problem

Under Tax Code §6.06(j), a county appraisal district (CAD) must credit only the portion of a taxing unit's payments that is neither spent nor "obligated to be spent" during the fiscal year against the following year's allocation. Texas Attorney General Opinion GA-1040 (2014), citing Comptroller guidance, confirms that a CAD board may move unspent funds into reserve accounts (e.g., litigation, facilities, disaster, capital replacement) by board vote, and once obligated in this way, those funds are exempt from the mandatory credit-back. There is currently no requirement that a CAD disclose, alongside its annual invoice, how much of a taxing unit's prior-year payment was spent, credited, or instead reclassified into reserves, or what those reserve balances total. School districts and other taxing entities frequently learn of large accumulated reserves only after years of inquiry or public pressure.

Recommended Reporting Requirement

Amend Tax Code §6.06

Require each CAD, at the time it issues its annual budget allocation invoice to a participating taxing unit, to include a standardized disclosure covering:

- The prior year's adopted budget
- The prior year's actual expenditures
- The resulting surplus, and whether it was credited under §6.06(j) or obligated into a reserve account
- The current year's adopted budget and the unit's allocated share
- An itemized obligated-funds (reserve) report, by category, purpose, and balance

Proposed Annual Invoice Disclosure — Tax Code §6.06	
Item	Content Required
Prior year adopted budget	Total CAD budget as adopted by the board for the immediately preceding fiscal year
Prior year actual costs	Total amount actually spent or obligated to be spent during that fiscal year
Resulting surplus	Difference between amounts collected and amounts spent/obligated, and whether it was credited under §6.06(j) or moved into a reserve account
Current year budget	Total CAD budget adopted for the current fiscal year and the unit's allocated share
Obligated funds report	Itemized list of reserve/restricted accounts (e.g., litigation, facilities, disaster, capital replacement), with the purpose, opening balance, additions, and current balance of each

Why This Matters

This requirement imposes no new spending authority or budget cap — it simply requires CADs to disclose, in the same document taxing units already receive each year, the same information CAD boards already have on hand. It gives school districts the facts needed to exercise their existing rights under §6.06(b) (budget disapproval) and §6.061 (alternative allocation methods) before, rather than years after, funds accumulate in reserve accounts.