**BILL ANALYSIS**

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| Senate Research Center | C.S.H.B. 1869 |
| 87R27777 TJB-F | By: Burrows et al. (Bettencourt) |
|  | Local Government |
|  | 5/21/2021 |
|  | Committee Report (Substituted) |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In 2019, the 86th Texas Legislature enacted legislation overhauling the state's property tax system. One goal of this legislation was to give taxpayers more control over property tax increases by reducing the voter-approval tax rate multiplier from 8 percent to 3.5 percent. However, the voter-approval tax rate only limits the increase of the maintenance and operations portion of the tax rate, not the debt portion of the tax rate. Taxing units are able to issue non-voter-approved debt, such as certificates of obligation, to avoid submitting tax increases to the voters. C.S.H.B. 1869 seeks to provide for increased input from taxpayers on the debt issued by a taxing unit by revising the definition of "debt" for purposes of calculating property tax rates.

C.S.H.B. 1869 amends current law relating to the definition of debt for the purposes of calculating certain ad valorem tax rates of a taxing unit.

**RULEMAKING AUTHORITY**

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

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 26.012, Tax Code, by amending Subdivision (7) and adding Subdivisions (9), (18-a), and (18-b), as follows:

(7) Redefines "debt" to mean:

(A) a bond, warrant, certificate of obligation, or other evidence of indebtedness owed by a taxing unit that:

(i) is payable from property taxes, rather than solely from property taxes, in installments over a period of more than one year, not budgeted for payment from maintenance and operations funds, and secured by a pledge of property taxes; and

(ii) meets one of the following requirements:

(a) has been approved at an election;

(b) includes self-supporting debt;

(c) evidences a loan under a state or federal financial assistance program;

(d) is issued for designated infrastructure;

(e) is a refunding bond;

(f) is issued in response to an emergency under Section 1431.015 (Certain Notes or Other Obligations for Emergency Financing), Government Code;

(g) is issued for renovating, improving, or equipping existing buildings or facilities;

(h) is issued for vehicles or equipment; or

(i) is issued for a project under Chapter 311 (Tax Increment Financing Act), Tax Code, or Chapter 222 (Funding and Federal Aid), Transportation Code, that is located in a reinvestment zone created under one of those chapters; or

(B) creates this paragraph from existing text and makes no further changes.

Makes nonsubstantive changes.

(9) Defines "designated infrastructure" to mean infrastructure, including a facility, equipment, rights-of-way, or land, for the following purposes:

(A) streets, roads, highways, bridges, sidewalks, parks, landfills, parking structures, or airports;

(B) telecommunications, wireless communications, information technology systems, applications, hardware, or software;

(C) cybersecurity;

(D) as part of any utility system, water supply project, water plant, wastewater plant, water and wastewater distribution or conveyance facility, wharf, dock, or flood control and drainage project;

(E) as part of any school district;

(F) as part of any hospital district created by general or special law that includes a teaching hospital; or

(G) police stations, fire stations, or other public safety facilities, jails, juvenile detention facilities, or judicial facilities.

Makes nonsubstantive changes.

(18-a) Defines "refunding bond" to mean a bond or other obligation issued for refunding or refinancing purposes under Chapter 1207 (Refunding Bonds) or 1371 (Obligations for Certain Public Improvements), Government Code.

(18-b) Defines "self-supporting debt" to mean the portion of a bond, warrant, certificate of obligation, or other evidence of indebtedness described by Subdivision (7)(A)(i) designated by the governing body of a political subdivision as being repaid from a source other than property taxes.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2021.