

## **BILL ANALYSIS**

C.S.H.B. 1869  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

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.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 1869 amends the Tax Code to revise the requirements for a bond, warrant, certificate of obligation, or other evidence of indebtedness owed by a taxing unit to qualify as "debt" for purposes of calculating the unit's property tax rates as follows:

- with respect to the requirement that the bond, warrant, certificate, or other evidence of indebtedness be payable from property taxes in installments over a period of more than one year, removes the specification that it has to be paid solely from those taxes; and
- requires that the bond, warrant, certificate, or other evidence of indebtedness meet one of the following requirements:
  - has been approved at an election;
  - includes self-supporting debt;
  - evidences a loan under a state or federal financial assistance program;
  - is issued for designated infrastructure;
  - is a refunding bond; or
  - is issued in response to an emergency.

C.S.H.B. 1869 defines the following terms:

- "refunding bond" as a bond or other obligation issued for refunding or refinancing purposes under specified law;

- "self-supporting debt" as a portion of the bond, warrant, certificate, or other evidence of indebtedness designated by the governing body of a political subdivision as being repaid from a source other than property taxes; and
- "designated infrastructure" as infrastructure, including a facility or equipment, for the following purposes:
  - streets, roads, or highways;
  - telecommunications;
  - cyber security; or
  - 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.

**EFFECTIVE DATE**

September 1, 2021.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 1869 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The original provided only one means, voter approval at an election, by which a bond, warrant, certificate of obligation, or other evidence of indebtedness owed by a taxing unit could qualify as debt for purposes of calculating the unit's property tax rates. The substitute expands the means by which a bond, warrant, certificate, or other evidence of indebtedness may qualify as debt to include the following, in addition to being approved at an election:

- including self-supporting debt;
- evidencing a loan under a state or federal financial assistance program;
- being issued for designated infrastructure;
- being a refunding bond; or
- being issued in response to an emergency.

The substitute includes definitions for "designated infrastructure," "refunding bond," and "self-supporting debt," whereas the original did not.

The substitute includes a provision not in the original removing the specification that a qualifying bond, warrant, certificate, or other evidence of indebtedness is payable solely from property taxes.