

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**April 18, 2021**

**TO:** Honorable Morgan Meyer, Chair, House Committee on Ways & Means

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB1869** by Burrows (relating to the definition of debt for the purposes of calculating certain ad valorem tax rates of a taxing unit.), **Committee Report 1st House, Substituted**

**No fiscal implication to the State is anticipated.**

The bill would amend Chapter 26 of the Tax Code, regarding property tax assessment, to restrict the definition of debt used in truth-in-taxation property tax rate calculations to debt that has been approved at an election, includes self-supporting debt, evidences a loan under a state or federal financial assistance program, issued for designated infrastructure, a refunding bond, or issued in response to an emergency. The bill provides definitions for designated infrastructure, refunding bonds, and self-supporting debt.

Limiting the definition of debt to debt approved at an election could create a cost for taxing units contingent on the amount and frequency they utilize debt obligations other than as described by the bill. A taxing unit's debt rate is a key component in calculating the voter-approval tax rate, which is the calculated maximum tax rate a taxing unit may adopt without voter approval and triggers certain notices and hearings for tax rate adoption. The bill's specified definition of debt could establish a lower voter-approval tax rate depending on the amount of debt a taxing unit uses debt obligations that would not fit this new definition. This could make it more difficult for taxing units to increase tax rates. The amount and frequency that taxing units would issue future debt obligations not specified in the bill is unknown. Consequently, the fiscal implications on taxing units cannot be estimated.

**Local Government Impact**

Passage of the bill would change the definition of debt used in truth-in-taxation property tax rate calculations to debt that has been approved at an election, includes self-supporting debt, evidences a loan under a state or federal financial assistance program, issued for designated infrastructure, a refunding bond, or issued in response to an emergency. The more limited definition of debt in the bill could establish a lower voter-approval tax rate depending on the amount of debt a taxing unit uses debt obligations that would not fit this new definition. This could make it more difficult for taxing units to increase tax rates, which would reduce property tax revenue. As a result, ad valorem tax revenue for units of local government could be reduced.

**Source Agencies:** 304 Comptroller of Public Accounts

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