

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 21, 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.), **As Introduced**

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. The more limited definition of debt in the bill could establish a lower voter-approval tax rate depending on the amount of debt not approved through an election a taxing unit issues. This could make it more difficult for taxing units to increase tax rates, which would reduce property tax revenue. There could be implications to the state through school funding, depending on debt school districts include when calculating the voter-approval rate along with what state assistance is received for certain school district lease-purchase agreements.

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.

Limiting the definition of debt to debt approved at an election would create a cost for taxing units contingent on the amount and frequency they utilize debt obligations not approved by election. 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 more limited definition of debt proposed by the bill could establish a lower voter-approval tax rate depending on the amount of debt not approved through an election a taxing unit issues. This could make it more difficult for taxing units to increase tax rates. There could be implications to the state through school funding, depending on debt school districts include when calculating the voter-approval rate along with what state assistance is received for certain school district lease-purchase agreements. The amount and frequency that taxing units would issue future certificates of obligation, time warrants, anticipation notes, and other debt obligations without an election is unknown. Consequently, the fiscal implications to the state and 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. The more limited definition of debt in the bill could establish a lower voter-approval tax rate depending on the amount of debt not approved through an election a taxing unit issues. 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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