

SENATE AMENDMENTS

2nd Printing

By: Burrows, Bonnen, Middleton, Tinderholt,
et al.

H.B. No. 1869

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the definition of debt for the purposes of calculating
3 certain ad valorem tax rates of a taxing unit.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 26.012, Tax Code, is amended by amending
6 Subdivision (7) and adding Subdivisions (9), (18-a), and (18-b) to
7 read as follows:

8 (7) "Debt" means:

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

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

15 (ii) meets one of the following
16 requirements:

17 (a) has been approved at an election;

18 (b) includes self-supporting debt;

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

21 (d) is issued for designated
22 infrastructure;

23 (e) is a refunding bond;

24 (f) is issued in response to an

1 emergency under Section 1431.015, Government Code;

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

4 (h) is issued for vehicles or
5 equipment; or

6 (i) is issued for a project under
7 Chapter 311, Tax Code, or Chapter 222, Transportation Code, that is
8 located in a reinvestment zone created under one of those
9 chapters; [r] or

10 (B) a payment made under contract to secure
11 indebtedness of a similar nature issued by another political
12 subdivision on behalf of the taxing unit.

13 (9) "Designated infrastructure" means:

14 (A) infrastructure, including a facility,
15 equipment, rights-of-way, or land, for the following purposes:

16 (i) streets, roads, highways, bridges,
17 sidewalks, parks, landfills, parking structures, or airports;

18 (ii) telecommunications, wireless
19 communications, information technology systems, applications,
20 hardware, or software;

21 (iii) cybersecurity;

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

26 (v) police stations, fire stations, or
27 other public safety facilities, jails, juvenile detention

1 facilities, or judicial facilities, and any facilities that are
2 physically attached to the facilities described by this
3 subparagraph;

4 (vi) as part of any school district; or

5 (vii) as part of any hospital district
6 created by general or special law that includes a teaching
7 hospital;

8 (B) emergency vehicles for police, fire, or
9 emergency medical services;

10 (C) maintenance vehicles; or

11 (D) heavy equipment or machinery.

12 (18-a) "Refunding bond" means a bond or other
13 obligation issued for refunding or refinancing purposes under
14 Chapter 1207 or 1371, Government Code.

15 (18-b) "Self-supporting debt" means the portion of a
16 bond, warrant, certificate of obligation, or other evidence of
17 indebtedness described by Subdivision (7)(A)(i) designated by the
18 governing body of a political subdivision as being repaid from a
19 source other than property taxes.

20 SECTION 2. Chapter 26, Tax Code, is amended by adding
21 Section 26.014 to read as follows:

22 Sec. 26.014. DEBT FOR CERTAIN TAXING UNITS. (a) This
23 section applies only to:

24 (1) a county with a population of at least 1.7 million
25 that contains a municipality in which at least 75 percent of the
26 county's population resides;

27 (2) a county with a population of more than one million

1 and less than 1.5 million;

2 (3) a county with a population of more than 800,000 and
3 less than 1 million;

4 (4) a county with a population of more than 64,750 and
5 less than 65,000;

6 (5) a county with a population of more than 40,000 and
7 less than 41,000;

8 (6) a county with a population of more than 30,500 and
9 less than 32,250;

10 (7) a county with a population of more than 320,000 and
11 less than 400,000 that:

12 (A) does not border the United Mexican States;
13 and

14 (B) in which a port authority is authorized to
15 issue permits for oversize or overweight vehicles under Chapter
16 623, Transportation Code;

17 (8) a municipality with a population of more than
18 150,000 and less than 200,000 that is partially located in a county
19 with a population of 1.8 million or more; and

20 (9) a taxing unit any part of which is located in a
21 county to which this section applies.

22 (b) In this chapter, "debt" means a bond, warrant,
23 certificate of obligation, or other evidence of indebtedness owed
24 by a taxing unit that is payable solely from property taxes in
25 installments over a period of more than one year, not budgeted for
26 payment from maintenance and operations funds, and secured by a
27 pledge of property taxes, or a payment made under contract to secure

1 indebtedness of a similar nature issued by another political
2 subdivision on behalf of the taxing unit.

3 SECTION 3. The changes in law made by this Act apply only to
4 a bond, warrant, certificate of obligation, or other evidence of
5 indebtedness for which the ordinance, order, or resolution
6 authorizing the issuance is adopted by the governing body of a
7 taxing unit on or after the effective date of this Act and for which
8 the taxing unit has not entered into a binding agreement before the
9 effective date of this Act that contemplates the issuance of the
10 debt. The changes in law made by this Act do not apply to a bond,
11 warrant, certificate of obligation, or other evidence of
12 indebtedness for which the ordinance, order, or resolution
13 authorizing the issuance was adopted by the governing body of a
14 taxing unit before the effective date of this Act or for which the
15 taxing unit has entered into a binding agreement before the
16 effective date of this Act that contemplates the issuance of such
17 debt, and the former law is continued in effect for that purpose.
18 For the purposes of this section, "binding agreement" includes a
19 development agreement, ordinance, order, or resolution that
20 authorizes or delegates to an appropriate officer of a taxing unit
21 the execution of a binding agreement at a later date.

22 SECTION 4. This Act takes effect September 1, 2021.

ADOPTED
MAY 25 2021

Lacey Law
Secretary of the Senate

By: BURROWS BETTENCOURT

H.B. No. 1869

Substitute the following for ___B. No. _____:

By: *Paul Bettencourt*

C.S. ___B. No. _____

A BILL TO BE ENTITLED

AN ACT

relating to the definition of debt for the purposes of calculating certain ad valorem tax rates of a taxing unit.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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

(7) "Debt" means:

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

(i) is payable [~~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

1 emergency under Section 1431.015, Government Code;

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

4 (h) is issued for vehicles or
5 equipment; or

6 (i) is issued for a project under
7 Chapter 311, Tax Code, or Chapter 222, Transportation Code, that is
8 located in a reinvestment zone created under one of those
9 chapters; [7] or

10 (B) a payment made under contract to secure
11 indebtedness of a similar nature issued by another political
12 subdivision on behalf of the taxing unit.

13 (9) "Designated infrastructure" means infrastructure,
14 including a facility, equipment, rights-of-way, or land, for the
15 following purposes:

16 (A) streets, roads, highways, bridges,
17 sidewalks, parks, landfills, or airports;

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

21 (C) cybersecurity;

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

26 (E) as part of any school district;

27 (F) as part of any hospital district created by

1 general or special law that includes a teaching hospital; or

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

5 (18-a) "Refunding bond" means a bond or other
6 obligation issued for refunding or refinancing purposes under
7 Chapter 1207 or 1371, Government Code.

8 (18-b) "Self-supporting debt" means the portion of a
9 bond, warrant, certificate of obligation, or other evidence of
10 indebtedness described by Subdivision (7)(A)(i) designated by the
11 governing body of a political subdivision as being repaid from a
12 source other than property taxes.

13 SECTION 2. The changes in law made by this Act apply only to
14 a bond, warrant, certificate of obligation, or other evidence of
15 indebtedness for which the ordinance, order, or resolution
16 authorizing issuance was adopted by the governing body of the
17 taxing unit on or after the effective date of this Act.

18 SECTION 3. This Act takes effect September 1, 2021.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 27, 2021

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

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 Passed 2nd House**

No fiscal implication to the State is anticipated.

This 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 meets certain requirements specified in the bill. The bill provides definitions for designated infrastructure, refunding bonds and self-supporting debt.

Limiting the definition of debt could create a cost for taxing units depending on the amount and frequency they use debt obligations other than those provided in 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 holding an election for 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 frequency a taxing unit utilizes debt obligations that would not fit the 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 effect on taxing units cannot be estimated.

The bill would take effect September 1, 2021.

Local Government Impact

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

LBB Staff: JMc, SD, AF, BRI, KK

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 22, 2021

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

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 2nd House, Substituted**

No fiscal implication to the State is anticipated.

This 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 meets certain requirements specified in the bill. The bill provides definitions for designated infrastructure, refunding bonds and self-supporting debt.

Limiting the definition of debt could create a cost for taxing units depending on the amount and frequency they use debt obligations other than those provided in 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 holding an election for 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 frequency a taxing unit utilizes debt obligations that would not fit the 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 effect on taxing units cannot be estimated.

The bill would take effect September 1, 2021.

Local Government Impact

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

LBB Staff: JMc, AF, BRI, SD, KK

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 16, 2021

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

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 Engrossed**

No fiscal implication to the State is anticipated.

This 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 meets certain requirements specified in the bill. The bill provides definitions for designated infrastructure, refunding bonds and self-supporting debt. The bill would allow certain taxing units located in the following counties to include as debt a payment made under contract to secure indebtedness issued by another political subdivision on behalf of the taxing unit: Bexar, Travis, El Paso, San Patricio, Jim Wells, Kleberg, Bee, Nueces, and Tarrant.

Limiting the definition of debt could create a cost for taxing units contingent on the amount and frequency they use debt obligations other than as described in 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, fiscal effect on taxing units cannot be estimated.

The bill would take effect September 1, 2021.

Local Government Impact

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

LBB Staff: JMc, AF, SD, BRI, KK

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

LBB Staff: JMc, KK, SD, BRI

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

LBB Staff: JMc, KK, SD, BRI

LEGISLATIVE BUDGET BOARD

Austin, Texas

TAX/FEE EQUITY 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 statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

Agencies:

LBB Staff: JMc, KK

LEGISLATIVE BUDGET BOARD

Austin, Texas

TAX/FEE EQUITY NOTE

87TH LEGISLATIVE REGULAR SESSION

April 12, 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**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

Agencies:

LBB Staff: JMc, KK