

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 26, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB976 by Middleton (Relating to the procedure for the adoption of an ad valorem tax rate by a taxing unit.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 26 of the Tax Code to require an election prior to the issuance of new debt. The bill would redefine debt per criteria specified in the bill. The bill also repeals provisions providing for the calculation and effect of the de minimis rate.

The bill would amend Chapter 49 of the Water Code to add procedures and requirements for the filing of a petition to require an election to reduce the district's adopted tax rate for the current tax year to the voter-approval tax rate. The bill would direct the assessor to mail corrected tax bills if the rate is reduced after the tax bills have been mailed and to refund overpayments. The bill would extend the delinquency date by the number of days between the mailing of the original and corrected tax bills.

The bill would repeal Sections 26.012(8-a), (9), (18-a), and (18-b), Section 26.063, and Section 26.075 of the Tax Code and make conforming changes in the Tax Code, Water Code and Special District Local Laws Code.

The bill would change the definition of debt and require an election before a taxing unit can issue new debt and potentially increase its interest and sinking (I&S) tax rate. To the extent voters do not approve bond issues/debt at an election, taxing units would be unable to issue additional debt backed by property tax revenue.

The amount and frequency that taxing units would have issued future debt obligations for purposes no longer available without an election is unknown. The fiscal impact on taxing units cannot be estimated.

The bill also repeals the de minimis rate, which is the rate at which the taxing unit would bring in an additional \$500,000 of property tax revenue plus the taxing unit's no-new-revenue maintenance and operations tax rate and debt rate, and provisions related to the de minimis rate, including alternative tax rate notice requirements and the ability for voters in certain taxing units to petition for an election if the adopted tax rate exceeds the voter-approval tax rate but does not exceed the de minimis rate. The changes in the bill do not apply to school districts or certain water districts.

As such, the bill would require a taxing unit that adopts a tax rate above the taxing unit's voter-approval tax rate to hold an election to approve the tax rate. This may increase the number of voter-approval tax rate elections. However, it is unknown how many taxing units currently subject to the alternative notice and petition requirements would adopt a tax rate above the voter-approval tax rate or what the outcome of the required elections might be, as such the fiscal impact to units of local government cannot be determined.

Local Government Impact

Passage of the bill would require an election before a taxing unit can issue new debt. As a result, taxing units could be required to hold more elections. To the extent voters do not approve bond issues/debt at an election, taxing units would be unable to issue additional debt backed by property tax revenue. The amount and frequency that taxing units would have issued future debt obligations for purposes no longer available without an election is unknown. The fiscal impact on taxing units cannot be estimated.

Passage of the bill would repeal the de minimis rate. As a result, the number of voter-approval tax rate elections could increase. It is unknown how many taxing units currently subject to the alternative notice and petition requirements would adopt a tax rate above the voter-approval tax rate or what the outcome of the required elections might be, as such the fiscal impact to units of local government cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

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