

BILL ANALYSIS

H.B. 17
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The property tax rate adoption process used by local taxing entities such as counties, cities, school districts, and special districts in Texas plays a critical role in determining the total tax burden levied on property owners. The bill author has informed the committee that, because current state law includes minimal notification requirements relating to proposed property tax rate changes, many taxpayers remain unaware of these changes and their financial implications and, further, that there is often low public participation in the rate-setting process, which raises concerns that local governments may adopt rates without sufficient public scrutiny. Moreover, the bill author has informed the committee that advocates have called for stronger measures to increase transparency and ensure that taxpayers are better informed regarding how property tax decisions are made. H.B. 17 seeks to enhance transparency and encourage greater public involvement in the local property tax rate adoption process by revising requirements applicable to the notice of certain property tax-related information to be provided by taxing units and appraisal districts.

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

Notice of a Public School District's Budget and Tax Rate Meeting

H.B. 17 amends the Education Code to require the president of the board of trustees of a public school district to mail notice of a meeting of the district's board of trustees held for the purpose of adopting a budget for the succeeding fiscal year to each property owner in the district and to replace the requirement that the president provide for the publication of such notice in a daily, weekly, or biweekly newspaper published in the district or, if no such newspaper is published in the district, in a newspaper of general circulation in the county in which the district's central administrative office is located with a provision making it optional for the president to provide for such publication of the notice in an applicable newspaper. The bill also changes the contents of the required notice to require inclusion of a statement of the following, which is in addition to the information required under current law:

- the enrollment growth rate in the preceding tax year for the school district, expressed as a percentage;
- the inflation rate in the state, expressed as a percentage;

- if the district adjusted the amount of property tax revenue it collected in the preceding tax year only to account for enrollment change adjusted by inflation, the adjusted tax collections in the current tax year; and
- if the district adopts the proposed tax rate, the estimated dollar amount of property tax revenue the district to be collected in the current tax year.

The bill establishes that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the school district if the district has not complied with these requirements for the additional statement.

H.B. 17, with respect to provisions regarding certain applicable notices, does the following:

- revises the provision establishing that, if the debt rate calculated under applicable state law decreases after the initial notice, the president is not required to publish another notice or call another meeting to discuss and adopt the budget and the proposed lower tax rate to provide that the president is not required to provide another notice or call another meeting under those conditions;
- with respect to a school district that uses a certified estimate and after receipt of the certified appraisal roll, revises the requirement for the district to publish a revised notice and hold another public meeting before the district may adopt a tax rate that exceeds the rate proposed in the notice prepared using the estimate or the district's voter-approval tax rate (VATR) determined under applicable state law using the certified appraisal roll to require that the district instead provide the revised notice and hold the public meeting;
- with respect to a school district that elects to adopt a tax rate before adopting a budget, revises the requirement for the district to publish notice and hold a public meeting for the purpose of discussing the proposed tax rate to require that the district instead provide such a notice and hold the meeting; and
- revises the requirement for the district, following adoption of such a tax rate, to publish notice and hold another public meeting before the district may adopt a budget to require that the district instead provide such a notice and hold the meeting.

Notice of Certain Public Hearings of Meetings Held by a Taxing Unit

H.B. 17 amends the Tax Code to require a taxing unit to include in the notice of a public hearing on a proposed tax rate that exceeds the lower of the VATR or the no-new-revenue (NNR) tax rate or the notice of a meeting to vote on a proposed tax rate that does not exceed the lower of the NNR or the VATR, in addition to the information required by current state law, a specified statement that accurately describes the effect of the proposed tax rate and includes the following information:

- the estimated dollar amount of property tax revenue in the current tax year to be collected by the taxing unit if the proposed tax rate is adopted;
- the preceding year's estimated levy;
- whether the amount of property tax revenue collected by the taxing unit will increase, decrease, or remain unchanged from the amount collected in the previous tax year, as applicable;
- the amount by which the amount of property tax revenue will increase or decrease from the amount collected in the previous tax year, as applicable;
- the percentage increase or decrease of property tax revenue when compared to the previous tax year, as applicable;
- the population growth rate in the preceding tax year for the taxing unit, expressed as a percentage;
- the inflation rate of the state, expressed as a percentage; and
- the amount of property tax revenue the taxing unit would collect in the current tax year if the taxing unit adjusted the amount of property tax revenue collected in the preceding tax year only to account for population change adjusted by inflation.

The bill requires the comptroller of public accounts to determine the inflation rate that must be used by a taxing unit to make the computation required by these provisions and publish the rate in the Texas Register each year on July 1 or as soon thereafter as practicable.

H.B. 17 replaces the authorization for the notice of a public hearing on a proposed tax rate to be delivered by mail to each property owner in the taxing unit, or to be published in a newspaper, with a requirement for the applicable taxing unit to mail such a notice required under applicable state law to each property owner in the taxing unit and an authorization to also publish the notice in a newspaper. Accordingly, the bill replaces the requirement for the taxing unit, if the unit publishes the notice in a newspaper, to also post the notice prominently on the home page of the taxing unit's website from the date the notice is first published until the public hearing is concluded with a requirement for the taxing unit to also post the notice prominently on the home page of the taxing unit's website from the date the notice is first provided until the public hearing is concluded.

Database of Property-Tax-Related Information

H.B. 17 requires the database of property-tax-related information maintained by the chief appraiser of each appraisal district to include, in addition to the information required by current state law and with respect to each property that is listed on the appraisal roll for the appraisal district, a specified statement that includes the following information relating to each taxing unit other than a public school district or public school district in which the property is located, as applicable:

- the population growth rate for the taxing unit in the preceding tax year, expressed as a percentage, as applicable;
- the enrollment growth rate for the school district in the preceding tax year, expressed as a percentage, as applicable;
- the inflation rate in the state, expressed as a percentage;
- the amount of property tax revenue the taxing unit or school district, as applicable, would collect in the current tax year if the taxing unit or school district adjusted the amount of property tax revenue collected in the preceding tax year only to account for population change adjusted by inflation; and
- the estimated dollar amount of property tax revenue to be collected in the current tax year if the proposed tax rate is adopted.

Notice of Tax Hearing for Certain Water Districts

H.B. 17 amends the Water Code to require the notice of each meeting of the governing body of certain water districts at which the adoption of a property tax rate for the district for debt service, operation and maintenance purposes, or contract purposes will be considered that must be given by the governing body before the governing body adopts such a tax rate to include a specified statement that includes the following information:

- the population growth rate for the water district in the preceding tax year, expressed as a percentage;
- the inflation rate in the state, expressed as a percentage;
- the amount of property tax revenue the water district would collect in the current tax year if the water district adjusted the amount of property tax revenue collected in the preceding tax year only to account for population change adjusted by inflation; and
- the estimated dollar amount of property tax revenue to be collected in the current tax year if the proposed tax rate is adopted.

The bill replaces the requirement for notice of such a hearing to be published at least once in a newspaper having general circulation in the district at least seven days before the date of the hearing or to be mailed to each owner of taxable property in the district, at the address for notice shown on the most recently certified tax roll of the district, at least 10 days before the date of the hearing, with the following:

- an authorization for such a notice to be published in that manner; and

- a requirement for such a notice to be mailed to each owner of taxable property in the district in that manner.

Definitions

H.B. 17 defines the following terms for purposes of the applicable Education Code, Tax Code, and Water Code provisions:

- "adjusted collection rate" for a taxing unit means the rate computed by subtracting one from the product of:
 - the sum of one and the population growth rate; and
 - the sum of one and the inflation rate;
- "adjusted tax collections" for a taxing unit means an amount equal to the product of:
 - the preceding year's estimated levy; and
 - the sum of one and the adjusted collection rate for the district;
- "adjusted collection rate" for a school district means the rate computed by subtracting one from the product of:
 - the sum of one and the enrollment growth rate; and
 - the sum of one and the inflation rate;
- "adjusted tax collections" for a school district means an amount equal to the product of:
 - the preceding year's estimated levy; and
 - the sum of one and the adjusted collection rate for the district;
- "enrollment growth rate" as the rate of growth of a school district's enrollment during the preceding school year, expressed in decimal form rounded to the nearest thousandth, determined by the district using information provided by the Texas Education Agency;
- "consumer price index" as the average over a calendar year of the index that the comptroller considers to most accurately report changes in the purchasing power of the dollar for consumers in Texas;
- "inflation rate" as the amount, expressed in decimal form rounded to the nearest thousandth, computed by determining the percentage change in the consumer price index for the preceding calendar year as compared to the consumer price index for the calendar year preceding that calendar year;
- "population growth rate" as the rate of growth of a taxing unit's population during the preceding tax year, expressed in decimal form rounded to the nearest thousandth, determined by the taxing unit using the most recent population estimates available from the U.S. Census Bureau or, if the U.S. Census Bureau does not publish population estimates for the taxing unit, other reliable data sources or estimation methods determined by the taxing unit; and
- "preceding year's estimated levy" for a taxing unit means the amount of property tax revenue the taxing unit estimated it would collect in the preceding tax year on the date the taxing unit proposed a tax rate for that tax year.

Procedural Provision

H.B. 17 applies only to a property tax year that begins on or after the bill's effective date.

EFFECTIVE DATE

January 1, 2026.