

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATURE 2nd CALLED SESSION 2025

August 26, 2025

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB10 by Bettencourt (Relating to the calculation of the voter-approval tax rate for certain taxing units.), **As Passed 2nd House**

No significant fiscal implication to the State is anticipated.

The bill would reduce the voter-approval tax rate calculation multiplier for a taxing unit other than a special taxing unit from 1.035 to 1.01, and to apply the voter-approval tax rate provision to a municipal utility district (MUD).

The bill would provide that for a municipality or county with a population of 75,000 or more that is not a special taxing unit or an emergency services district that is not a special taxing unit, if public safety expenditures exceed the expenditures for the preceding year, the no-new revenue maintenance and operations (M&O) rate is increased by an increment sufficient to finance the increase in public safety expenditures. The bill would require a taxing unit to include a notice of the increased in the no-new revenue M&O rate to include a description and an amount of public safety expenditures.

Local Government Impact

The voter-approval tax rate for a unit of local government other than a special taxing unit would be reduced. As a result, the property tax rate that a unit of local government to which the provisions of the bill apply could adopt without voter approval, and the associated property tax revenue, would be reduced.

Prospectively, it is unknown how many jurisdictions subject to these changes would have proposed a tax rate in excess of the reduced voter-approval tax rate provided by the bill, by how much such proposed tax rates may have exceeded the reduced voter-approval tax rates, and how many of such proposed tax rates would be approved by voters. However, based on preliminary 2024 tax rate and levy information provided to the Comptroller by appraisal districts, the excess of any adopted tax rate over what the voter-approval tax rate would have been with the proposed 1.01 multiplier can be determined for 2024. The estimates are illustrative, extrapolated forward from 2024 to subsequent years, with adjustments for cities and counties of population 75,000 or more assuming an average annual increase in public safety expenditures of 3.7 percent, on the assumption that no tax rate adoptions would be approved in excess of the voter-approval rates provided by the bill. Tax reductions relative to current law baseline escalate markedly, as tax levy growth compounds more slowly when limited by the reduced voter-approval tax rate multiplier. The Comptroller estimates a potential local levy loss of \$605.7 million in tax year 2026, \$1,239.4 million in tax year 2027, increasing to \$3,317.2 million in tax year 2030.

NOTE: The formula for the increment to the voter-approval tax rate for public safety expenditures, based on the total increase in such expenditures from the preceding year, is in addition to the one percent increase for public safety expenditure growth implicit in the calculation of the no-new-revenue tax rate upon which the voter-approval tax rate calculation is based. E.g., for an increase in a public safety expenditure budget of 3.7 percent, the increase in the portion of the voter-approval tax rate associated with such expenditures would be by 4.7 percent.

Source Agencies: 304 Comptroller of Public Accounts

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