BILL ANALYSIS

S.B. 1453
By: Bettencourt
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Current law allows a taxing unit to levy an unrestricted debt rate necessary to generate sufficient revenue to cover the required debt service for the current tax year. The bill sponsor has informed the committee that the debt rate declines over time as the total amount of debt outstanding from issuances is paid off but that the governing bodies of some taxing units elect to retire debt earlier than required by a bond's covenant and schedule. These decisions require that the debt rate be set higher than would otherwise be required, leading taxpayers to pay higher tax bills than they otherwise would. S.B. 1453 seeks to address this issue by ensuring that current debt, as it relates to calculating a taxing unit's current debt rate for property tax purposes, accounts only for the minimum dollar amount required to be expended for debt service for the current year.

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

S.B. 1453 amends the Tax Code to authorize the governing body of a taxing unit to approve a debt rate that exceeds the rate for the taxing unit to service the unit's debt determined under provisions providing for the debt rate calculation on the following conditions:

- the rate is proposed to be approved by a motion that states the debt rate determined under those provisions, states the proposed rate, states the difference between the proposed rate and the determined rate, and describes the purpose for which the excess revenue collected from the proposed rate will be used; and
- the motion is approved by at least 60 percent of the governing body's members.

The bill establishes that, if the governing body approves the proposed rate for a tax year under the bill's provisions, the approved rate is considered to be the taxing unit's current debt rate for that tax year. The bill requires the officer or employee designated by the governing body to calculate the taxing unit's voter-approval tax rate to recalculate that rate to account for the new current debt rate and establishes that the recalculated voter-approval tax rate is considered to be the taxing unit's voter-approval tax rate for that tax year.

S.B. 1453 replaces the definition of "current debt" as debt service for the current year with a definition of "current debt service" as the minimum dollar amount required to be expended for debt service for the current year for purposes of provisions relating to property tax assessments. The bill specifies that the amount of principal and interest required to service a taxing unit's debts in the next year from property tax revenue that must be stated on a taxing unit's schedule of debt obligations and posted on the taxing unit's website is the minimum dollar amount of such principal and interest.

S.B. 1453 amends the Education Code to revise the statement that must be included in a public school district's notice of the budget and proposed tax rate with respect to the interest and sinking fund tax rate by specifying that the amount required to service the district's debt is the minimum dollar amount required to be paid to service the district's debt.

S.B. 1453 applies only to property taxes imposed for a property tax year that begins on or after the bill's effective date.

EFFECTIVE DATE

January 1, 2026.