

BILL ANALYSIS

Senate Research Center
89R10390 TJB-D

S.B. 1453
By: Bettencourt
Local Government
3/21/2025
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Interest and Sinking (I&S) tax rate declines as the total amount of debt outstanding from issuances is paid off over time.

However, the governing bodies of some taxing units elect to retire debt earlier than required. These decisions require that the taxing unit's I&S tax rate be set higher than otherwise would be required. This leads taxpayers to pay higher tax bills than they otherwise would.

S.B. 1453 seeks to amend the definition of "current debt" for purposes of calculating an I&S tax rate, to include only the minimum amount required by the bond issuances' schedules.

S.B. 1453 does permit a taxing entity to adopt an I&S rate higher than the minimum tax rate if there is a motion that:

- States what the minimum I&S tax rate would be,
- States the proposed rate,
- States the difference between the minimum and proposed I&S tax rates,
- Describes the purpose for which the excess collected from the proposed rate will be used, and
- The motion is approved by at least 60 percent of the members of the governing body.

As proposed, S.B. 1453 amends current law relating to the current debt rate and tax rate of a taxing unit for ad valorem tax purposes.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 44.004(c), Education Code, as follows:

(c) Requires that the notice of public meeting to discuss and adopt the budget and the proposed tax rate, subject to Subsection (d) (relating to the requirement that the language of the notice substantially conform to the language and format prescribed by the Comptroller of Public Accounts of the State of Texas (comptroller)) to contain certain sections, including a section entitled "Comparison of Proposed Rates with Last Year's Rates," which is required to show in rows certain tax rates, expressed as amounts per \$100 valuation of property, for columns entitled "Maintenance & Operations," "Interest & Sinking Fund," and "Total," which is the sum of "Maintenance & Operations" and "Interest & Sinking Fund," including the "Rate to Maintain Same Level of Maintenance & Operations Revenue & Pay Debt Service," which, in the case of "Interest & Sinking Fund," is the tax rate that, when applied to the current taxable value for the district, as certified by the chief appraiser under Section 26.01 (Submission of Rolls to Taxing Units), Tax Code, and as adjusted and multiplied in a certain manner, would impose taxes in an amount that, when added to certain funds and taxes would provide the minimum dollar amount required to be paid to service the district's debt.

SECTION 2. Amends Section 26.012(3), Tax Code to define "current debt service."

SECTION 3. Amends Section 26.04(e), Tax Code, as follows:

(e) Requires the designated officer or employee to post prominently on the home page of the taxing unit's Internet website in the form prescribed by the comptroller certain information, including a schedule of the taxing unit's debt obligations showing the minimum dollar amount of principal and interest required to be paid, rather than the amount of principal and interest that will be paid, to service the taxing unit's debts in the next year from property tax revenue, including certain payments.

SECTION 4. Amends Section 26.05, Tax Code, by adding Subsections (a-1) and (a-2), as follows:

(a-1) Provides that the governing body of a taxing unit is authorized to approve a rate described by Subsection (a)(1) (relating to one component of tax rate calculations for a taxing unit other than a school district) that exceeds the rate for the taxing unit as determined under Subsection (a) (relating to the two components of a tax rate a governing body of each tax unit is required to calculate) only if:

(1) the rate is proposed to be approved by a motion that states the rate determined under Subsection (a)(1), states the proposed rate, states the difference between the proposed rate and the rate determined under Subsection (a)(1), and describes the purpose for which the excess revenue collected from the proposed rate will be used; and

(2) the motion is approved by at least 60 percent of the members of the governing body.

(a-2) Provides that, if the governing body of a taxing unit approves a rate described by Subsection (a)(1) under Subsection (a-1) for a tax year, the rate approved under Subsection (a-1) is considered to be the current debt rate of the taxing unit for that tax year. Requires the officer or employee designated by the governing body to calculate the voter-approval tax rate of the taxing unit under Chapter 26 (Assessment) to recalculate that rate to account for the new current debt rate, and that recalculated voter-approval tax rate is considered to be the voter-approval tax rate of the taxing unit for that tax year.

SECTION 5. Makes application of this Act prospective.

SECTION 6. Effective date: January 1, 2026.