

BILL ANALYSIS

Senate Research Center

S.B. 2519
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Local Government
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Taxpayers have raised concerns related to the transparency and accountability regarding how ad valorem taxes are used by local governments. Voters approve tax rates based on specific purposes, such as funding infrastructure projects, public safety, or education. However, there have been instances where local governments have significantly altered the scope, cost, or financing of these projects after the tax rates were approved, often without informing voters or seeking additional approval. This lack of oversight can lead to taxpayer funds being used for purposes other than what was originally promised, undermining public trust and causing frustration among taxpayers.

Furthermore, there have been concerns about local governments using ad valorem tax revenue to support public securities or repay debt, which might not align with the original intentions voters had when they approved the taxes.

As a result, there is a growing demand for stronger protections to ensure tax revenue is used as promised and taxpayers have a clear path to challenge deviations from approved purposes. S.B. 2519 seeks to address these issues by prohibiting the use of M&O tax revenue derived from a tax rate election for the purpose of debt service, and providing taxpayers with recourse opportunities when a taxing unit's use of M&O revenue materially deviates from the purpose stated on the tax rate election ballot.

As proposed, S.B. 2519 amends current law relating to restrictions on the levy and use of certain ad valorem taxes and on the issuance of certain bonds supported by ad valorem taxes.

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 26.012, Tax Code, by adding Subdivision (16-a) to define "materially deviate."

SECTION 2. Amends Section 26.05, Tax Code, by adding Subsection (e-2), as follows:

(e-2) Entitles a person who owns taxable property to an injunction restraining the collection of taxes by a taxing unit in which the property is taxable if the taxing unit materially deviates from the purpose stated at the time the voters approved a tax rate under Chapter 26 (Assessment). Requires that an action to enjoin the collection of taxes be filed not later than the 15th day after the date the taxing unit adopts a tax rate. Provides that a property owner is not required to pay the taxes imposed by a taxing unit on the owner's property while an action filed by a property owner under this subsection is pending. Entitles the property owner, if the property owner pays the taxes and subsequently prevails in the action, to a refund of the taxes paid, together with reasonable attorney's fees and court costs. Provides that the property owner is not required to apply to the collector for the taxing unit to receive the refund.

SECTION 3. Amends Section 26.07, Tax Code, by adding Subsection (h) to prohibit an increase in a taxing unit's maintenance and operations tax revenue derived from an election under Section 26.07 (Automatic Election to Approve Tax Rate of Taxing Unit Other Than School District), notwithstanding any other law, from being used or transferred to a local government corporation to repay a public security in installment payments or otherwise.

SECTION 4. Amends the heading to Chapter 1253, Government Code, to read as follows:

CHAPTER 1253. PUBLIC SECURITIES ISSUED BY LOCAL ENTITIES

SECTION 5. Amends Chapter 1253, Government Code, by adding Section 1253.004, as follows:

Sec. 1253.004. **LIMITATION ON AUTHORITY TO USE AD VALOREM TAX REVENUE TO PAY PUBLIC SECURITIES.** (a) Defines "public security."

(b) Prohibits a municipality, county, or local government corporation from dedicating, pledging, or otherwise using revenue subject to annual appropriation and derived wholly or partly from ad valorem taxes from an election under Chapter 26, Tax Code, for payment of a public security, including revenue transferred to a local government corporation, to secure or make payments on a public security.

SECTION 6. Makes application of Section 26.05(e-2), Tax Code, as added by this Act, prospective.

SECTION 7. Makes application of Section 1253.004, Government Code, as added by this Act, prospective.

SECTION 8. Effective date: upon passage or September 1, 2025.