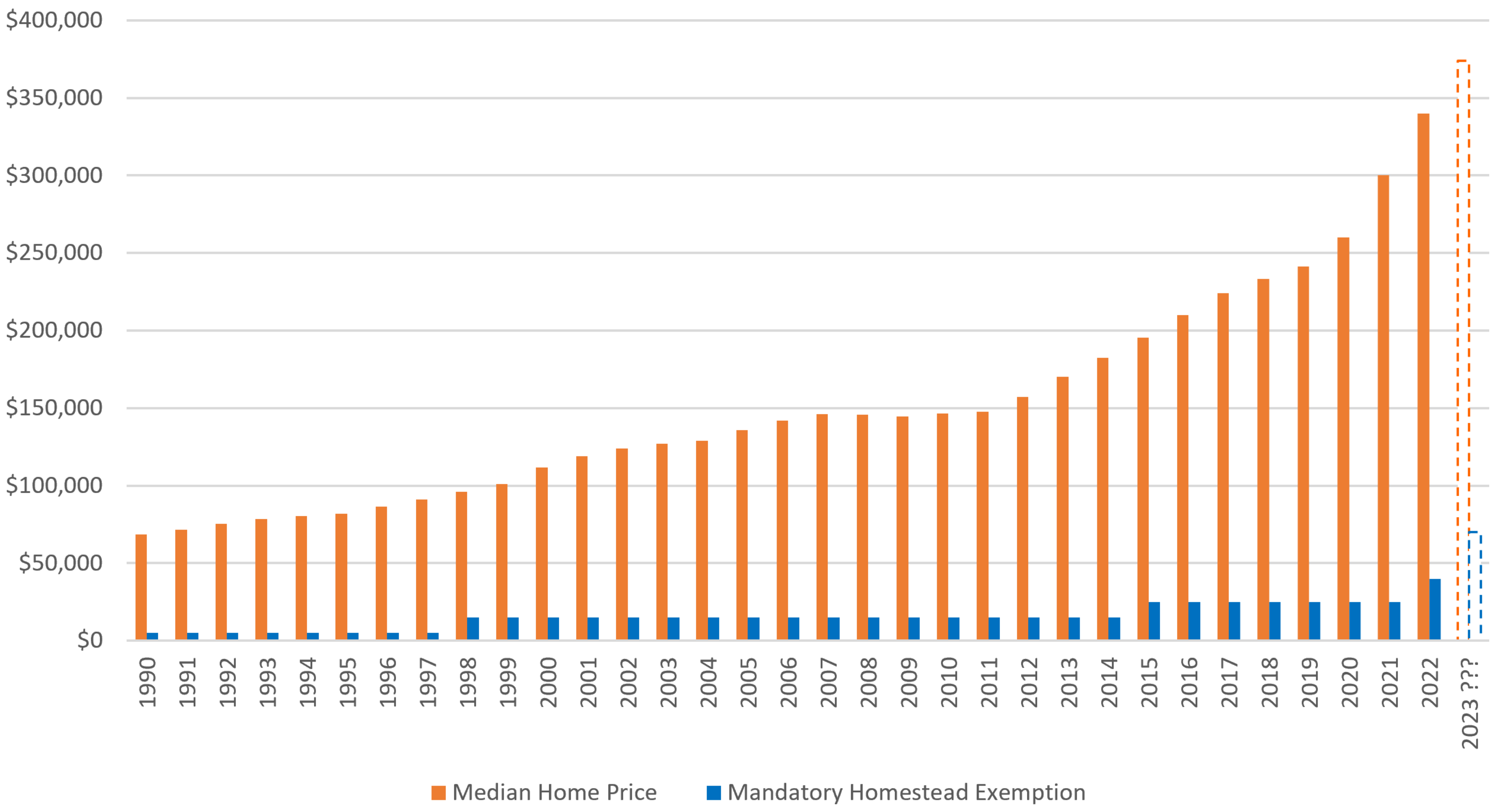
TSA LEGISLATIVE UPDATE 3/8/23

Senate Bill 3

- Increases Homestead Exemption to $70,000
- Hold Harmless Provisions for School Districts



Source: Data from Texas A&M Real Estate Research Center

SENATE:
PROPERTY TAX RELIEF

Stay Tuned:

SB 3
First of Several
Senate Priority
Property Tax Relief Measures

Senate Priorities

SB 1 – State Budget

SB 2 – Restoring Voter Fraud to a Felony

SB 3 – Increasing the Homestead Exemption to $70,000

SB 4 – Adding Additional Property Tax Relief

SB 5 – Increasing the Business Personal Property Tax Exemption

SB 6 – Adding New Natural Gas Plants

SB 7 – Continuing to Improve the Texas Grid

SB 8 – Empowering Parental Rights – Including School Choice

SB 9 – Empowering Teacher Rights – Teacher Pay Raise

SB 10 – Adding 13th Checks for Retired Teachers

SB 11 – Keeping Our Schools Safe and Secure

SB 12 – Banning Children's Exposure to Drag Shows

SB 13 – Protecting Children from Obscene Books in Libraries

SB 14 – Ending Child Gender Modification

SB 15 – Protecting Women's College Sports

SB 16 – Banning CRT in Higher Education

SB Bill 17 – Banning Discriminatory "Diversity, Equity and Inclusion" (DEI) Policies in Higher Education

SB 18 – Eliminating Tenure at General Academic Institutions

SB 19 – Creating A New Higher Education Endowment Fund

SB 20 – Removing District Attorneys Who Refuse to Follow Texas Law

SB 21 – Removing Judges Who Refuse to Follow Texas Law

SB 22 – Assisting Rural Law Enforcement Funding – Increasing Pay and Needed Equipment

SB 23– Creating A Mandatory 10-Year Prison Sentence for Criminals Committing Gun Crime

SB 24 – Expanding Alternatives to Abortion

SB 25 – Creating New Scholarships for Registered Nurses

SB 26 – Expanding Mental Health Care Beds Across Texas – Focus on Rural Counties

SB 27 – Creating A New Business Specialty Court

SB 28 – Addressing Texas' Future Water Needs

SB 29 – Banning Local COVID-19 Mandates

SB 30 – Supplemental Budget

House Bill 2

- Additional $0.15 Compression in Tier 1
- 5% Appraisal Cap on All Real Property
- Assessor/Collectors Must Provide Escrow Plans (currently optional)

House Bill 2 – Effect on 2023-24 MCRs

- Additional $0.15 Compression in Tier 1
- 5% Appraisal Cap on All Real Property
- Assessor/Collectors Must Provide Escrow Plans (currently optional)

- Additional Compression Applies After HB1 Current Law Elements
- House Anticipates Total Effect of about $0.25 Compression Relative to Last Year

House Bill 2 - Effect on 2023-24 MCRs

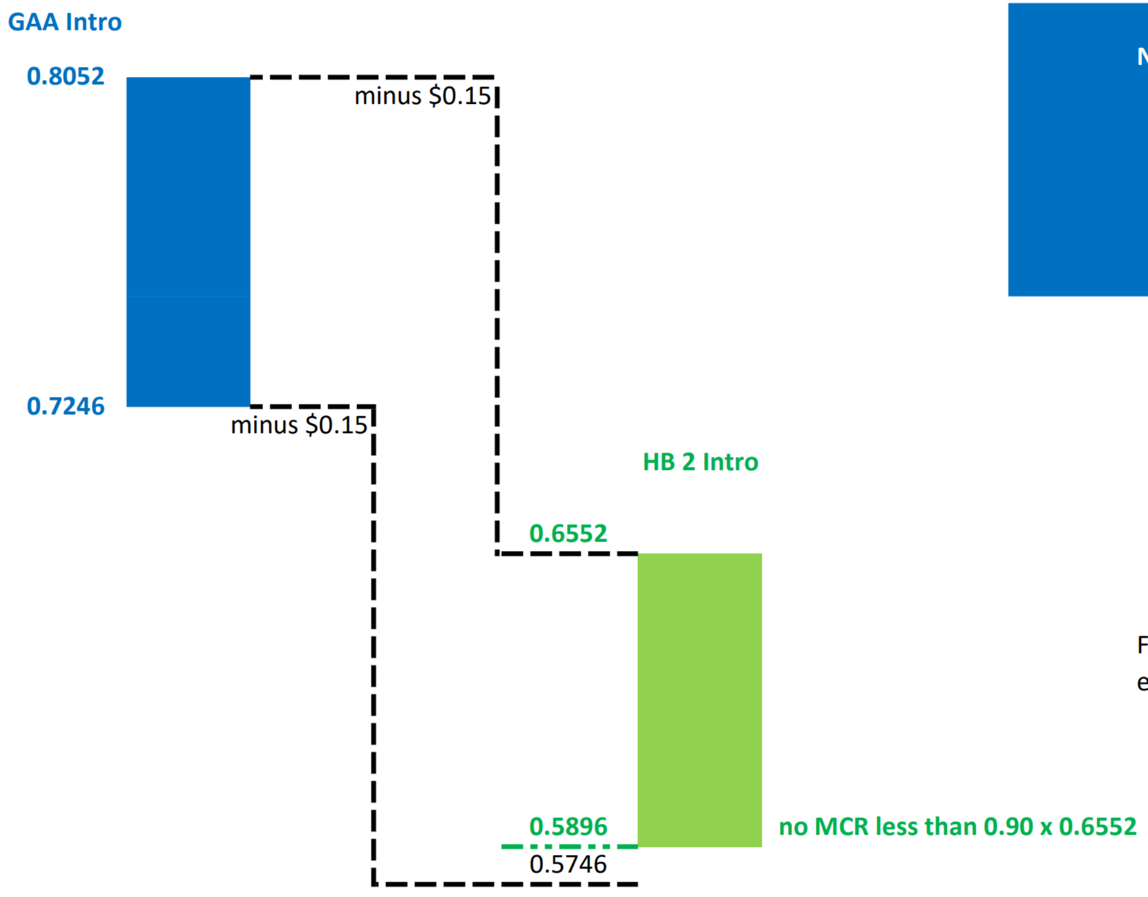
- Additional $0.15 Compression in Tier 1
  - Applies After Existing MCR Calculation using HB1 Current Law Elements
  - House Indicates Combined Mechanisms will Produce About $0.25 Compression Relative to Last Year

MCR Range	2022-23 (actual)	2023-24* (HB1 - Intro)	2023-24** (HB2 Intro)
Ceiling	$0.8941	*$0.8052*	*$0.6552*
Floor	$0.8046	*$0.7246*	*$0.5896*

**Expect these to change as HB1 emerges from conference due to updates to key data and assumptions.*

***Because HB2 is designed to work in conjunction with HB1, these will change even if HB2 remains same as Introduced.*

HB2 Introduced - Effect on School District MCR for 2023-24



NOTE!!! The effects of the bill as shown assume elements included in the Introduced version of the General Appropriations Act for the 2024-2025 biennium. Those elements will change as new data are incorporated (likely during the conference committee process). Because of the interaction, final outcomes will differ from those shown here even if HB2 were to pass exactly as introduced.

For 2024-25 Compression Resumes from each district's 2023-24 HB2 MCR

State Cost (in billions):	**FY24**	**FY25**	**Biennial**
Increased State Aid	$3.9	$3.9	**$7.8**
Reduced Recapture	$2.0	$2.1	**$4.1**
	$5.9	**$6.0**	**$11.9**

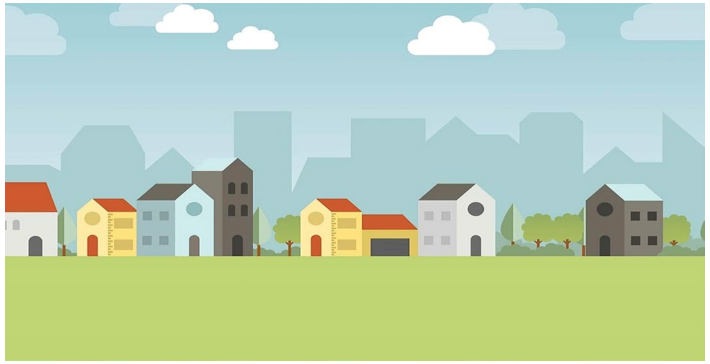
Fiscal Year 2024

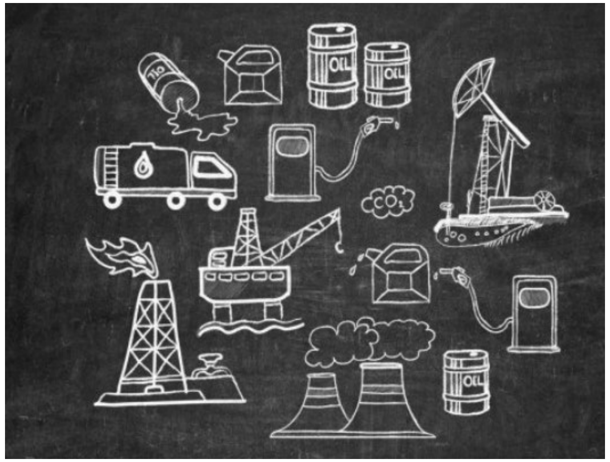
		Number of Districts Owing Recapture	
Recapture Summary	**Amount**	Tier 1	Either or Both Tier 1 & Tier 2
Current Law + GAA Intro	$4.5	152	224
HB2 Introduced	$2.5	104	188
Reduction in Recapture	$2.0	48	36
Percent Reduction	44%	32%	16%

As introduced, HB2 does not change M&O entitlement, local share is reduced and replaced by increased state aid reduced recapture.

House Bill 2

- Additional $0.15 Compression in Tier 1
- 5% Appraisal Cap on All Real Property
- Assessor/Collectors Must Provide Escrow Plans (currently optional)





What Constitutes Property?

Real Property

- Land
- Mines or Quarries
- Standing Timber
- Minerals in Place
- Improvements (buildings, structures, fixtures, or fences)

What Taxable Property is not “Real Property”?

- Personal Property (aka. “Not Real” Property)
  - Tangible (Taxable)
  - Intangible (Generally not taxable)

All real and **tangible personal** property … **is taxable** unless exempt by law

§11.01, Tax Code

Except as provided by Subsection (b)… **intangible personal** property **is not taxable**.

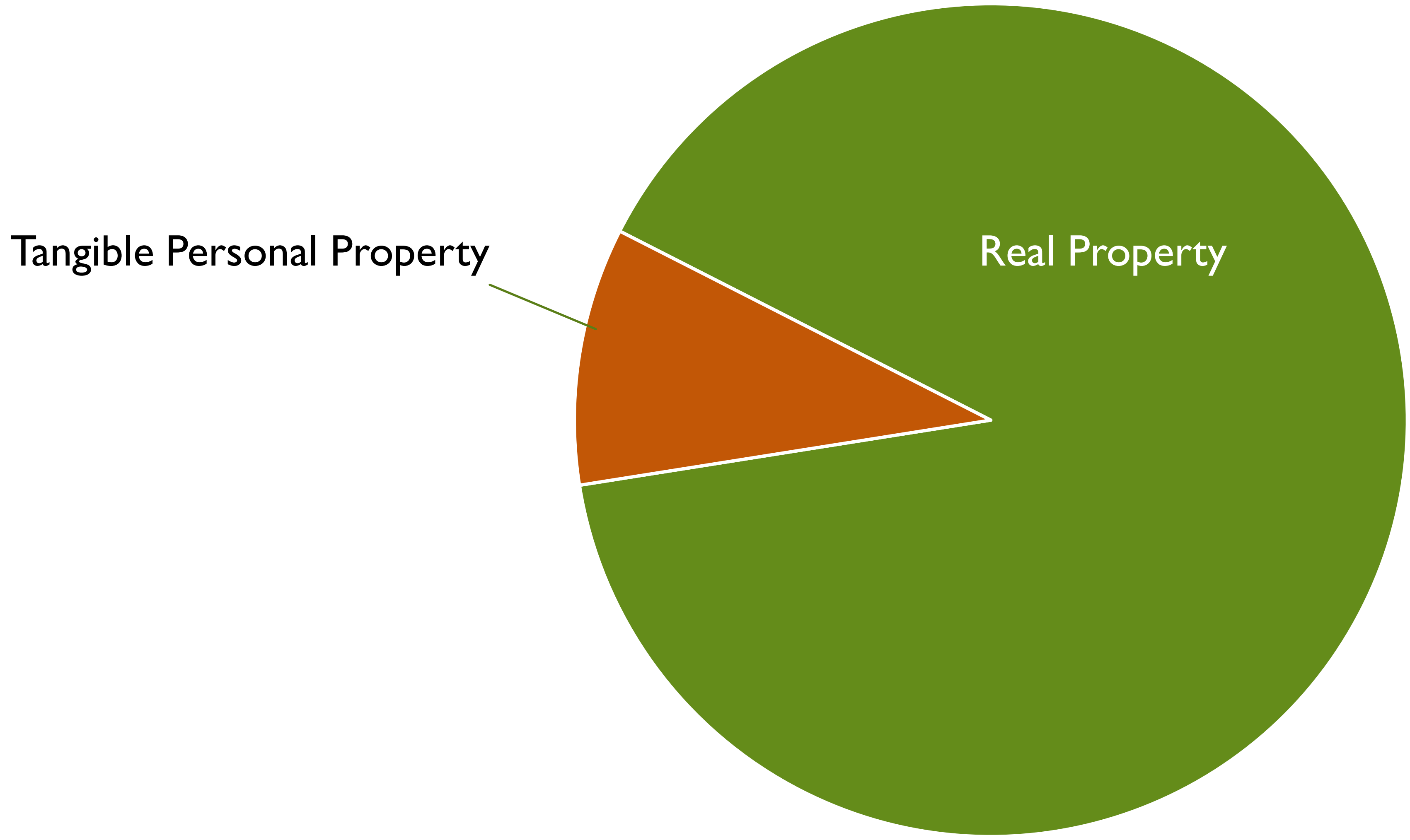
§11.02, Tax Code

Examples

- Tangible Personal Property
  - Furniture
  - Fixtures
  - Inventories
  - Equipment
  - Motor vehicles
  - Vessels
  - Aircraft

These **items** are typically referred to as **business personal property**.

Percent of Taxable Value – Statewide



On a statewide basis, real property generally makes up about 90% of total taxable value <u>after</u> exemptions.

TAX YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022P	2022 Prelim Value Before Exemptions	PORTION OF 2022P TOTAL VALUE PRIOR TO EXEMPTIONS	
A Single-Family Residences	7.5%	7.8%	10.4%	11.5%	8.5%	2.0%	-0.1%	1.0%	1.2%	3.9%	9.3%	10.6%	9.3%	7.7%	6.6%	8.5%	5.9%	10.8%	28.2%	$2,458,254,409,424		53%
B Multifamily Residences	2.5%	8.8%	10.0%	13.4%	10.6%	1.9%	-4.1%	3.0%	8.5%	12.3%	14.5%	15.7%	14.6%	11.5%	12.1%	11.0%	11.7%	7.5%	22.2%	$321,244,794,793		7%
C Vacant Lots	3.4%	7.6%	12.7%	10.1%	13.4%	-0.4%	-3.7%	-3.9%	-1.0%	1.8%	7.2%	6.4%	5.8%	4.7%	4.5%	5.6%	4.6%	6.7%	23.3%	$76,437,988,754		2%
D&E Farm & Ranch (includes homes)	4.2%	5.6%	7.8%	10.2%	8.2%	3.3%	0.6%	1.5%	1.7%	2.9%	4.9%	5.7%	7.1%	5.8%	6.3%	8.0%	7.0%	10.9%	25.4%	$180,173,291,661		4%
F1 Commercial Real	2.2%	8.4%	13.4%	14.4%	12.7%	1.2%	-4.4%	1.8%	5.0%	8.5%	7.9%	10.1%	10.0%	7.2%	6.5%	7.8%	7.3%	3.7%	11.7%	$634,795,975,876		14%
F2 Industrial Real	-0.5%	1.9%	13.4%	10.9%	6.9%	1.6%	-2.1%	4.1%	4.9%	4.9%	5.2%	9.2%	6.0%	8.8%	9.4%	7.8%	11.8%	4.0%	15.2%	$218,806,554,792		5%
G Oil, Gas, & Minerals	31.5%	29.9%	37.9%	2.4%	27.2%	-10.6%	4.2%	-6.0%	20.7%	4.3%	18.4%	-25.4%	-45.6%	17.1%	28.3%	44.5%	-13.2%	-15.3%	114.0%	$218,856,526,533		5%
J Utilities	2.3%	0.4%	3.3%	8.4%	5.4%	1.6%	0.9%	3.8%	7.1%	8.5%	10.1%	6.5%	4.3%	6.4%	4.0%	10.9%	11.9%	10.1%	10.0%	$118,606,196,295		3%
L1 Commercial Personal	6.9%	4.0%	6.2%	9.1%	10.2%	1.9%	-5.2%	2.0%	6.6%	5.4%	4.9%	6.4%	3.4%	1.7%	3.0%	7.3%	3.1%	1.0%	8.7%	$199,165,528,810		4%
L2 Industrial Personal	5.7%	10.5%	10.5%	15.5%	14.6%	2.4%	-9.6%	8.2%	14.0%	9.8%	4.1%	3.7%	-5.1%	-4.0%	4.4%	8.8%	-0.2%	-3.6%	14.5%	$146,703,758,947		3%
M Mobile Homes & Other Personal	1.3%	2.4%	1.3%	-0.3%	1.7%	0.6%	-0.7%	0.8%	-0.3%	0.4%	4.3%	3.5%	4.9%	5.7%	6.6%	9.5%	9.4%	12.0%	25.1%	$12,322,765,332		0%
N Intangible Personal & Uncertified	1.3%	2.4%	1.3%	-0.3%	1.7%	0.6%	-0.7%	0.8%	-0.3%	0.4%	4.3%	3.5%	215.0%	-84.1%	149.6%	-45.9%	344.0%	-100.0%	0.0%	$0		0%
O Residential Inventory	9.0%	15.9%	17.6%	29.5%	6.1%	-2.9%	-17.0%	-3.8%	-9.0%	1.8%	-0.4%	16.9%	18.1%	10.5%	12.2%	16.1%	5.2%	-3.4%	21.9%	$17,580,923,339		0%
S Special Inventory	-3.6%	17.1%	7.3%	8.2%	4.3%		-16.8%	11.9%	14.5%	18.6%	11.5%	19.9%	4.6%	0.6%	0.5%	4.1%	6.3%	0.7%	23.6%	$10,659,370,994		0%
Subtotal Value Prior to Exemptions	6.2%	8.0%	11.7%	11.3%	10.5%	1.0%	-1.8%	1.3%	4.4%	5.5%	8.9%	7.3%	5.5%	7.0%	7.3%	9.7%	5.8%	6.9%	24.7%	$4,613,608,085,550		
Total Exemptions	5.8%	6.1%	5.3%	15.1%	10.1%	-0.5%	-2.4%	2.4%	2.9%	2.8%	10.1%	30.3%	8.9%	6.0%	5.6%	6.4%	6.8%	9.8%	60.2%	$826,237,599,409		
Total Taxable Value	6.2%	8.3%	12.6%	10.8%	10.6%	1.2%	-1.7%	1.2%	4.6%	5.8%	8.8%	4.3%	5.0%	7.2%	7.5%	10.2%	5.6%	6.5%	19.0%	$3,787,370,486,141		

House Bill 2

- FSP M&O Formulas Respond
- School District Headwinds on I&S Side
  - FSP Facilities Yields too low to assist many districts
  - Other Challenges

House Bill 2

- Things to Watch as Bill Moves Forward
  - How will 5% Cap Interact with Special Valuations
  - Will there be any interest in remedies for effects on I&S?
    - Hold Harmless?
    - Enhanced Debt Service Equalization?
- Other Taxing Entities – Cities, Counties, Special Taxing Districts

HB 768 by Allen

- A school district employee with available personal leave is entitled to use the leave for compensation for a day designated as a school holiday for which the employee would otherwise not receive compensation.
- Potential compromise:
  - Apply only to hourly or non-exempt staff;
  - Exempt staff whose pay is “smoothed”
  - Limit number of days that can be traded for pay per year

SB 11 School Safety Funding

- Updates allotment to
  - $10 per ADA, plus
  - $15,000 per campus

- Assuming current ADA of 5,155,171.525 and 9,682 campuses, that is:
  - $51,551,715.25 + $145,230,000 = roughly $200 million per year, or
  - $150 million per year over the current law amount

SB 30: Supplemental Appropriations Bill

- Provides for $600 million in increased school safety spending for FY 2023
- Reduces TEA GR Appropriation by $8.2 billion

HB 8: VanDeaver

- Creates an advanced career and education (ACE) scholarship program.
- Students are eligible if they are enrolled in dual credit programs and were economically disadvantaged at any time during the four years preceding enrolling in dual credit.
- Participating IHEs must not charge more in tuition than a limit proscribed by THECB.

- Makes other substantive formula changes to community college funding.

SB 418 by Paxton

- Expands interdistrict transfers
- Allows denial of transfer only if the district or school is at capacity, the student seeking transfer is suspended or expelled from their home campus at the time they seek a transfer, or approving the transfer would supersede a court-ordered desegregation plan.
- School districts with more applicants than positions must fill by lottery. Priority must be given to students who are special education, military or law enforcement dependents, in foster care, under court-ordered conservatorship, siblings of existing students, and dependents of employees
- Prohibits receiving districts from charging tuition.

SB 442 by Menendez

- Requires 90% of funds allocated under the FSP to be spent on bilingual education

T | A | S | B | O