



Legislative UPDATE

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Number 14

Property Tax Relief Bill is Not the One You Think

The League has continued to argue that real property tax relief comes only from lowering school property taxes, and the legislature finally seems to be realizing that fact. Prior to last week, H.B. 2 (the revenue cap bill that is summarized under “Significant Committee Actions” elsewhere in this edition) included school districts and capped their property tax increases at 2.5 percent. But the committee substitute version of the bill moved school taxes from H.B. 2 to H.B. 3, which passed the House this week.

Rather than capping school increases, H.B. 3 relies on other school finance techniques to buy down, or “compress,” school taxes by four pennies per hundred. This would create real tax relief, to the tune of \$2.7 billion.

What about H.B. 2? It now applies only to cities, counties, and a handful of other taxing districts (emergency service districts and junior colleges were taken out of the bill, in addition to schools). The bill now, at most, applies to about 40 percent of a homeowner’s tax bill. (Cities and counties combined account for only 32 percent of an average tax bill.) And H.B. 2 doesn’t lower actual taxes like H.B. 3 does; it just lowers maximum rate increases to 2.5 percent.

How much relief will H.B. 2 provide now that schools have been moved to H.B. 3? Probably not much. The official fiscal note on H.B. 2 estimated an eventual “loss” to cities of \$1.2 billion per year. But that figure was greatly overstated, as it assumed that all cities normally tend to go up

the full 8 percent under current law and would then be capped at 2.5 percent. Most cities seldom go anywhere close to 8 percent. A TML analysis of comptroller property tax data from 2017 showed the real savings a of 2.5 percent cap relative to actual city increases that year would have been about \$118 million, less than five percent of the tax relief offered by H.B. 3.

House members should be commended for passing H.B. 3, which provides serious, tangible tax relief. At the same time, city officials should push back against any suggestion that H.B. 2 is still the “tax relief” bill. It’s not, but merely a side show to the main action, school finance.

Prepare Your City for Next Year’s Census

The Census Bureau has spent the past nine years preparing for the country’s largest domestic mobilization effort: the count of every individual in America based on where they reside on April 1, 2020. Next week marks one year out from “Census Day.”

Now is the time for cities to lay the groundwork for a successful census. Small steps can go a long way to ensuring an accurate count. The National League of Cities (NLC) has spent the past year developing and curating a host of resources to answer questions local leaders may have relating to the upcoming census. Local leaders can read and share those resources at www.nlc.org/census.

Significant Floor Actions

Lemonade Stands and More: [H.B. 234](#), relating to the local regulation of the sale of lemonade or other beverages by children. Passed the House.

Bonds: [H.B. 440](#), relating to general obligation bonds issued by political subdivisions. Passed the House. As passed, the bill would – among other things – provide that a city may use the unspent proceeds of issued general obligation bonds only for certain purposes.

Dogs on Restaurant Patios: [S.B. 476](#), relating to requirements for and municipal regulation of dogs in an outdoor dining area of a food service establishment. Passed the Senate.

Eminent Domain Repurchase: [S.B. 554](#), relating to establishing actual progress for the purposes of determining the right of repurchase real property from a condemning entity. Passed the Senate. As passed, the bill would, in relation tolling a property owner’s right of repurchase: (1) eliminate the following as elements establishing “actual progress” on a project: (a) the acquisition of a tract or parcel of real property adjacent to the property for the same public use project for which the owner’s property was acquired; or (b) for a governmental entity, the adoption by a majority of the entity’s governing body at a public hearing of a development plan for a public use project that indicates that the entity will not complete more than one tolling action before the tenth anniversary of the date of acquisition of the property; and (2) require three of five remaining elements to be met to establish actual progress.

Dogs on Restaurant Patios: [S.B. 476](#), relating to requirements for and municipal regulation of dogs in an outdoor dining area of a food service establishment. Passed the Senate.

Lobby Reporting: [S.B. 702](#), relating to the authorization and reporting of expenditures for lobbying activities by certain political subdivisions. Passed the Senate. As passed, the bill would require, among other things, a stand-alone vote of the city council to hire a lobby firm and reporting of a city’s lobby expenditures to the Texas Ethics Commission.

Telephone/Video Franchise Fee Elimination: [S.B. 1152](#), relating to the payment of certain fees to municipalities by entities that provide telecommunications and cable or video service. Passed the Senate. As passed, the bill would allow a company to simply stop paying either its video or telephone franchise fees, whichever is less for that company statewide.

**Editor’s Note: The links above lead to the bill’s landing page on the Texas Legislature Online website. To read the latest version, click on the “text” tab and click on the lowest version on the screen.*

Significant Committee Actions

Revenue Cap: [H.B. 2](#), relating to ad valorem taxation. Reported from the House Committee on Ways and Means Committee. A full, detailed summary is available [here](#). As reported, the bill would – among many other things – and most important to cities:

1. adjust the property tax rollback rate in the following ways: (1) define “special taxing unit” as: (i) a taxing unit other than a school district for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value; (ii) a junior college district; (iii) a hospital district; or an (iv) an emergency services district; (b) maintain an eight percent rollback rate for all special taxing units; (c) for a taxing unit other than a special taxing unit, provide for a rollback rate of 2.5 percent, but also authorize an adjustment based on the yearly “revenue enrichment amount” determined by the comptroller; and (c) for a taxing unit other than a special taxing unit, authorize the taxing unit to carry forward any unused increment between adopted rate and rollback rate for up to five years.
2. require a mandatory election on the November uniform election date for all cities that exceed the rollback rate, whether that rate is 2.5 percent or eight percent (with exceptions for increased expenditures of money by a taxing unit necessary to respond to a disaster);
3. exclude certificates of obligation payable solely from property taxes from the definition of “debt” for purposes of the property tax rate calculations (this means that certification of obligation debt must be financed through a city’s maintenance and operations tax rate); and
4. make numerous calendar changes to the property tax appraisal, collection, and rate-setting process in order to have property tax ratification elections on the November uniform election date.

(Editor's Note: H.B. 2 will likely be heard on the House floor next week. City officials should continue to contact their House members in opposition.)

Building Permit Fees: [H.B. 852](#), relating to information a municipality may consider in determining the amount of certain building permit and inspection fees. Reported from the House Committee on Urban Affairs. As reported, the bill would provide that a building permit or inspection fee required in connection with the construction or improvement of a residential dwelling may not be based on: (1) the value of the dwelling; or (2) the cost of constructing or improving the dwelling.

First Responders: [H.B. 2969](#), relating to prohibited adverse employment action against a first responder based on mental illness. Reported from the House Committee on State Affairs. As reported, the bill would provide that an employer of a first responder may not suspend, terminate, or take any other adverse employment action against a first responder solely because the employer knows or believes that the first responder has a mental illness.

Election Integrity: [S.B. 9](#), relating to election integrity. Reported from the Senate State Affairs Committee.

Lobbying Prohibition and No More TML: [S.B. 29](#), relating to expenditures for lobbying activities made by certain entities. Reported from the Senate State Affairs Committee. As reported, the bill would prohibit a city or the Texas Municipal League from advocating at the Capitol.

Chickens (Six or Fewer): [S.B. 86](#), relating to the regulation of raising or keeping six or fewer chickens by a political subdivision. Reported from the Senate Intergovernmental Relations Committee. As reported, the bill would allow an individual to raise or keep six or fewer chickens in a city.

ETJ Regulations: [S.B. 422](#), relating to the authority of a municipality to impose a fine or fee in certain areas in the municipality's extraterritorial jurisdiction. Reported from the Senate State Affairs Committee. As reported, the bill would apply to an area located in a Tier 2 city's extraterritorial jurisdiction that has been disannexed or for which the city has attempted and failed to obtain consent for annexation by petition or election and would provide that the city may not impose under a municipal ordinance a fine or fee on a person in such an area.

General Law City Term Limits: [S.B. 452](#), relating to the authority of general-law municipalities to impose term limits on the members of their governing bodies. Reported from the Senate Intergovernmental Relations Committee. As reported, the bill would authorize the city council of a general law city to call an election to impose term limits.

Charter Schools and Drainage Fees: [S.B. 674](#), relating to authorizing an exemption for open-enrollment charter schools from certain municipal drainage requirements. Reported from the Senate Intergovernmental Relations Committee.

Fee Increase Reporting: [S.B. 849](#), relating to requirements for new or increased municipal fees. Reported from the Senate Intergovernmental Relations Committee. As reported, the bill would require detailed information in a city's budget about new or increased fees, and it would require certain cities to develop and email notification system relating to fee increases.

ETJ Mapping and Notice: [S.B. 1303](#), relating to maps of the actual or proposed boundaries and extraterritorial jurisdiction of a municipality and certain notices related to expanding the boundaries. Reported from the Senate Intergovernmental Relations Committee. As reported, the bill would require a city to prepare a digital map of the city and its extraterritorial jurisdiction and, for certain home rule cities, require detailed information related to regulations imposed in the ETJ.

Zoning Notice: [S.B. 1304](#), relating to notice of proposed changes to municipal zoning classifications. Reported from the Senate Intergovernmental Relations Committee. As reported, the bill would require notice of a zoning change to certain property owners who live outside the city limits.

Open Meetings Act – “Walking Quorum:” [S.B. 1640](#), relating to changing the criminal offense of conspiracy to circumvent the open meetings law. Reported from the Senate State Affairs Committee. As reported, the bill would provide that a member of a governmental body commits an offense if the member: (1) knowingly engages in at least one communication among a series of communications that each occur outside of a meeting authorized by the Open Meetings Act and that concern an issue within the jurisdiction of the governmental body in which the members engaging in the individual communications constitute fewer than a quorum of members; and (2) knew at the time the member engaged in the communication that the series of communications: (a) involved or would involve a quorum; and (b) would constitute a deliberation once a quorum of members engaged in the series of communications. (Note: this bill attempts to overturn a recent Court of Criminal Appeals opinion in *Doyal v. State*, which found the existing statute unconstitutional.)

**Editor's Note: The links above lead to the bill's landing page on the Texas Legislature Online website. To read the latest version, click on the "text" tab and click on the lowest version on the screen.*

City Officials Testify

When the legislature is in session, nothing compares to the effectiveness of city officials testifying at the Capitol. City officials who take the time to travel to Austin to speak out on important city issues should be applauded by us all. The League extends its thanks to all those who have vigilantly represented cities during this session. This list generally covers testimony through Monday of each week. Witnesses who testified later than that date will be included in the next week's edition. If we missed your testimony let us know by an email to ford@tml.org, and we'll recognize you in next week's edition.

The following officials testified in committee hearings:

- Eddie Daffern, Mayor, City of Staples, and TML President-Elect
- David Rutledge, Mayor, City of Bridge City
- Billy Cordell, Police Chief, City of Burleson
- Ken Shetter, Mayor, City of Burleson
- Shad Prichard, Chief of Police, Town of Hollywood Park
- Robert Sholund, Police Department, City of San Antonio
- Johnny Siemens, Chief of Police, City of Castle Hills
- Jessica Anderson, Police Department, City of Houston
- Major General Juan Ayala, Director of Military and Veteran Affairs, City of San Antonio
- John Kroll, Councilmember, City of Dripping Springs
- James Allen, Police Lieutenant, City of Manor
- Heather Hurlbert, Finance Director, City of San Marcos
- Vance Riley, Fire Chief, City of Pearland
- Ginger Faught, Deputy City Administrator, City of Dripping Springs
- Leann Guzman, Senior Assistant City Attorney, City of Fort Worth
- Rev. Terry Glover, Councilmember, City of Cuero
- Sara Post Meyer, Mayor, City of Cuero
- Jeff Coyle, Director of Government and Public Affairs, City of San Antonio
- David Anderson, Police Lieutenant, City of Leon Valley
- Thomas Berrettini, Detective, City of Grand Prairie
- Chad Cooley, Police Sergeant, City of Cedar Hill
- Eric Hansen, Police Lieutenant, City of Grand Prairie
- Kelly Kuenstler, City Manager, City of Leon Valley
- Joe Salvaggio, Chief of Police, City of Leon Valley
- Jeff Williams, Police Captain, City of North Richland Hills
- Michael Barger, Police Department, City of Austin
- Danny Barton, Chief of Police, City of Coppell
- Tanya Brooks, Assistant Director, City of Fort Worth
- Scott Schultz, Assistant Police Chief, City of Sugar Land
- Dennis Webb, Councilmember, City of Irving
- Thomas Gilmore, Councilmember, City of Lewisville
- Jeff Bauknight, Councilmember, City of Victoria
- Darryl Lesak, Director of Environmental Services, City of Victoria
- Hope Wells, Corporate Counsel, San Antonio Water System
- Jerry Bark, Director Public Relations, City of Harker Heights
- Mark Morris, Police Chief, City of Kosse
- Evan Reed, Assistant City Attorney, City of El Paso
- Micah Grau, Assistant City Manager, City of Buda
- Blake Neffendorf, Water Resource Coordinator, City of Buda
- Steve Kosub, Senior Water Resource Counsel, San Antonio Water System
- Donald Glywasky, City Attorney, City of Galveston
- Jason King, Police Chief, City of Stephenville
- Stephanie Hayden, Director of Public Health, City of Austin

- Scott Oliver, Corporate Counsel, San Antonio Water System
- Yushan Chang, Sr. Assistant City Attorney, City of Houston
- Don Knight, Assistant City Attorney, City of Dallas
- Veronica Ocañas, Assistant City Attorney, City of Austin
- Gaelan Frazier, Councilmember, City of Pearsall
- Himesh Gandhi, Councilmember, City of Sugar Land
- Rudy Garza, Jr., Councilmember, City of Corpus Christi
- Russell Huff, Assistant Finance Director, City of San Antonio
- Charles Jackson, City Manager, City of Pearsall
- Dion Miller, City Manager, City of Tulia
- Adam Niolet, City Administrator, City of Hico
- David Rutledge, Mayor, City of Bridge City
- Kathryn Bruning, Asst. Director – Regulatory Permitting, City of Houston
- Brian England, Deputy City Attorney, City of Garland

City-Related Bills Filed

Property Tax

H.B. 2915 (Springer) – State and Local Taxes: would, among other things: (1) compress school district maintenance and operations property tax rates; (2) provide that an individual is entitled to an exemption from property taxation by a school district of a portion of the appraised value of the individual’s residence homestead in an amount equal to the lesser of: (a) 50 percent of the difference between the total appraised value of the individual’s residence homestead and the total dollar amount of all other exemptions for which the individual qualifies the residence homestead; or (b) 150 percent of the median appraised value of all single family residences in this state in the preceding year as determined by the comptroller; (3) require the comptroller, not later than January 1 of each year, to determine the median appraised value of all single-family residences in this state in the preceding year and publish that value in the Texas Register; (4) provide that a person is entitled to an exemption from taxation of the appraised value of the person’s inventory; (5) make the following services, among others, taxable for purposes of the sales tax: (a) accounting and audit services; (b) automotive services; (c) barbering or cosmetology services; (d) dating services; (e) debt management services; (f) funeral services; (g) hunting or fishing guide services; (h) interior design or interior decorating services; (i) massage therapy services; (j) packing services; (k) personal instruction services; (l) transport services; and (m) veterinary services; (6) would subject several different types of goods to sales and use taxes, including water, newspapers, magazines, certain types of medicine, snack items, and bakery items; (7) impose a state sales tax on the sale of motor fuel and e-cigarette vapor products; and (8) provide that for purposes of the city sales tax, a sale of a service to construct, repair, restore, remodel, or modify an improvement to real property is consummated at the location of the job site. (See **H.J.R. 97**, below.)

H.B. 2996 (Goodwin) – Property Tax Exemption: would make land located in a residential subdivision ineligible for appraisal as open-space land.

H.B. 3098 (Toth) – Property Taxes: would, among other things: (1) replace appraisal districts with appraisal offices; (2) provide that the county assessor-collector governs the appraisal office and may serve as the chief appraiser for the appraisal office or may appoint another person to serve as the chief appraiser; (3) require the chief appraiser to use the cost method of appraisal to determine the market value of any residential real property consisting of a single-family home, duplex, triplex, or quadraplex constructed by or on behalf of the owner; (4) require the chief appraiser to use the income method of appraisal to determine the market value of real property other than a single-family home, duplex, triplex, quadraplex, or tract of unimproved land constructed by or on behalf of the owner; (5) require the chief appraiser to reappraise all property damaged in a disaster at its market value immediately after the disaster; (6) for residential real property consisting of a single-family home, duplex, triplex, quadraplex, or tract of unimproved land that the owner acquired as a bona fide purchaser for value, and only if the owner discloses the purchase price the owner paid for the property to the appraisal office, provide that the appraised value of property for a tax year may not exceed the lesser of: (a) the market value of the property; or (b) the sum of the purchase price paid by the property owner for the property and the market value of each new improvement to the property as of January 1st of the first tax year in which the improvement was added to the appraisal roll; (7) require a property owner to file an application with the chief appraiser for each appraisal office in which the property subject to the claimed limitation has situs in order to receive a limitation on appraised value under (6), above; (8) provide that an appraisal office may reappraise property if the chief appraiser determines that conditions warrant the reappraisal; (9) provide that a protest on the ground of unequal appraisal of property shall be determined in favor of the protesting party unless the appraisal office establishes that the appraised value of the property is equal to or less than the median appraised value of a reasonable number of comparable properties appropriately adjusted; (10) provide that a district court shall grant relief on the ground that a property is appraised unequally if the appraised value of the property exceeds the median appraised value of a reasonable number of comparable properties appropriately adjusted; (11) eliminate property taxation of tangible personal property; and (12) repeal numerous property tax exemptions, including the Freeport and Super Freeport exemptions. (See **H.J.R. 102**, below.)

H.B. 3127 (Middleton) – Homestead Exemption: would increase the maximum percentage of a local option homestead exemption from 20 percent of the appraised value of an individual's residence homestead to 100 percent of an individual's residence homestead.

H.J.R. 97 (Springer) – Property Tax Exemption: would amend the Texas Constitution to authorize the legislature to: (1) provide an exemption from property taxation by a school district of a portion of the appraised value of an individual's residence homestead in an amount equal to the lesser of: (a) 50 percent of the difference between the total appraised value of the individual's residence homestead and the total dollar amount of all other exemptions for which the individual qualifies the residence homestead; or (b) 150 percent of the median appraised value of all single family residences in this state; and (2) exempt from property taxation by one or more political subdivisions a person's inventory held for sale at retail. (See **H.B. 2915**, above.)

Elections

H.B. 3724 (Swanson) – Early Voting by Mail: would, among other things: (1) require that an application for an early voting ballot to be voted by mail be signed by the applicant using ink on paper; and (2) provide that an electronic signature or photocopied signature is not permitted.

H.B. 4403 (Cain) – Election Integrity: would: (1) require the secretary of state and Department of Public Safety to take certain actions to ensure a person who is not a citizen of the United States may not register to vote or vote; and (2) require the secretary of state to create an examination of election law and procedures that a person must pass before serving as an election judge during early voting by personal appearance or on election day.

Municipal Court

H.B. 2311 (Kacal) – Court Cost: would: (1) allow a city with a population of less than 2,000 to retain 50 percent of the court cost paid for a conviction of a nonjailable misdemeanor offense as a service fee for the collection if the city remits the remainder of the money collected quarterly to the comptroller; (2) allow a city that remits state traffic fines to the comptroller quarterly to retain: (a) 50 percent of the state traffic fines as a service fee for the collection if the city has a population of less than 2,000; (b) five percent if the city has a population of 2,000 or more; and (c) any interest accrued on the money if the custodian of the money deposited in the treasury keeps records of the amount of state traffic fines collected; and (3) require a city with a population of less than 2,000 to exclude the fees collected under (1) and (2), above, from the fines collected for violation of rules of road offenses for purposes of determining the amount the city retains from the fines collected for violation for a highway law under rules of the road.

H.B. 2314 (Toth) – Juveniles: would, among other things and with certain exceptions, change the age of a child for criminal responsibility purposes from 17 years of age to 18 years of age and require a juvenile court to waive exclusive original jurisdiction and transfer a child to the appropriate district court or criminal court for criminal proceedings if the child was 17 years of age or older at the time the child is alleged to have committed certain violent offenses.

Personnel

S.B. 2515 (Menéndez) – Sexual Harassment: would provide, among other things, that: (1) an employer, including a city, may not require its current or prospective employees, independent contractors, unpaid interns or volunteers to, as a condition of employment or of an agreement for performance of work or a service: (a) waive any substantive or procedural right or remedy with respect to a claim of sexual harassment; (b) enter into any confidentiality or nondisclosure agreement to the extent the agreement prohibits the worker from: (i) notifying a local or state law enforcement agency or any state or federal regulatory agency of an incident of sexual harassment; or (ii) participating in a sexual harassment investigation or disclosing facts in any sexual harassment investigation, prosecution, legal proceeding or dispute resolution; (c) enter into any mandatory arbitration agreement to the extent the agreement imposes mandatory

arbitration of a dispute involving a sexual harassment allegation; and (2) a settlement agreement related to a sexual harassment claim filed in a civil action or a complaint filed in an administrative action: (a) must clearly describe the circumstances under which the claimant may disclose information regarding the allegation or settlement; and (b) may not prohibit the claimant from the performing work or service for the employer, including any subsidiary, division, or affiliate of the employer.

Public Safety

H.B. 4323 (Reynolds) – Child Victim Pseudonym: would, in regard to identifying information of certain child victims: (1) require a law enforcement agency investigating the matter to offer the victim a pseudonym to be used instead of the victim’s name in all public files and records concerning the offense; (2) provide that a child victim pseudonym form is confidential and may not be disclosed to any person other than a defendant, except on an order of a court; (3) require a law enforcement agency that receives a child victim pseudonym form to: (a) remove the victim’s name and substitute a pseudonym on all reports, files, and records in the agency’s possession; (b) notify the attorney for the state; and (c) maintain the form in a manner that protects the confidentiality of the information; (4) provide that, except as required or permitted by law or court order, a public servant or other person who has access to or obtains the name, address, phone number, or other identifying information of the victim may not release or disclose the information to any person who is not assisting in the investigation, prosecution, or defense of the case; (5) provide that a public servant with access to the name, address, or phone number of a victim who has completed a pseudonym form commits a Class C misdemeanor offense if the public servant knowingly discloses the information to any person who is not assisting in the investigation or prosecution of the offense or to any person other than the defendant, the defendant’s attorney, or a person specified in a court order; and (6) provide that, unless the disclosure is required or permitted by other law, a public servant or other person commits a Class C misdemeanor offense if the person: (a) has access to or obtains the name, address, or phone number of a victim; and (b) knowingly discloses the information to a person who is not assisting in the investigation or prosecution of the offense or to any person other than the defendant, the defendant’s attorney, or a person specified in a court order.

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