

City of Denton First Special Session Legislative Update

Agenda

- Special Session Update
- Property Tax Bills
 - Voter-approved Tax Rate Limit
 - Expenditure Caps
 - Debt Caps

Updates

- Democrats have broken quorum
 - 6 short of achieving 2/3 minimum required (As of 8/5)
- There is 10 days left of the Special Session
 - Session is to conclude on August 19th
- Other issues on the agenda
 - Disaster Preparedness
 - Congressional Redistricting
 - Regulation of hemp derived products

Property Taxes – Voter Approved Tax Rate

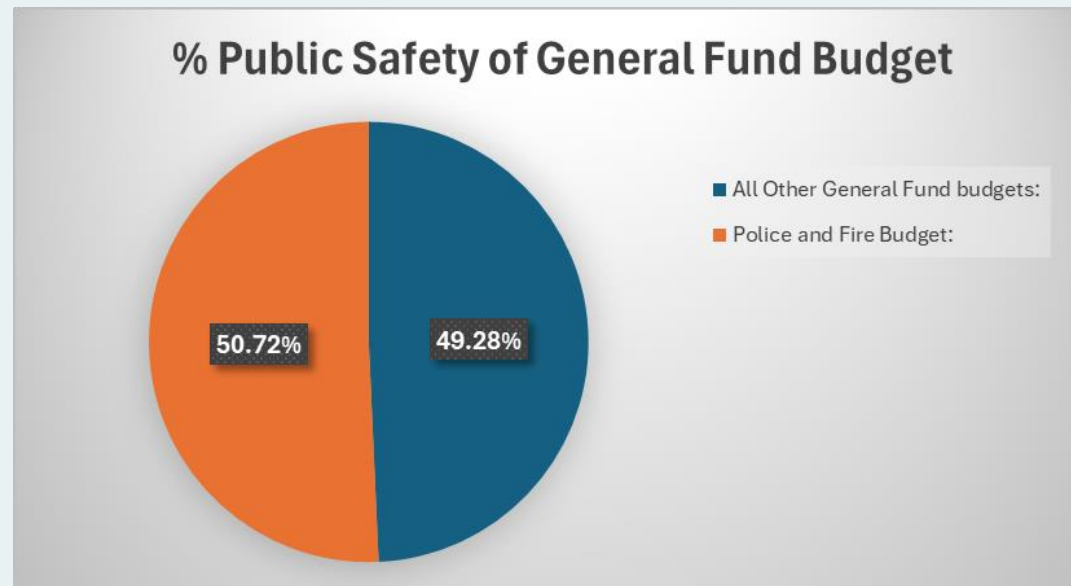
CSSB 9 by Sen. Bettencourt/ HB 9 by Rep. Meyer

New formulas for calculating the voter-approval tax rate.

- For municipalities UNDER 75,000 it keeps the same calculation
- For municipalities OVER 75,000 it lowers the allowable tax increase from 3.5% to 2.5%
- This bill was heard in the Local Government Committee last week.
 - Vote: 4 ayes and 1 nay (Sen. Molly Cook)
- HB 9 was filed on 8/4 and has not been referred.

Considerations

- If passed:
 - The City of Denton's General Fund could face a reduction of up to \$799,708 in property tax revenue.
 - 51% of the City's General Fund goes directly to funding police and fire departments.
 - The revenue loss of \$799,708 is the equivalent of 5 civil service positions.



Considerations

- Denton has adopted a rate at least 1 cent lower than the voter approval rate every year for the past five years.

Fiscal Year	Voter-Approved Rate	Adopted Rate	Difference
2025	0.604747	0.58542	0.019327
2024	0.570784	0.56068	0.010104
2023	0.603743	0.56068	0.043063
2022	0.643404	0.56568	0.077724
2021	0.63586	0.59045	0.04541

Property Tax - Expenditure Caps

HB 63/ HB 89

Limit on annual expenditures for municipalities and counties.

- Political subdivisions' total expenditures cannot exceed the greater of their previous fiscal year expenditures, or an amount calculated by multiplying the previous year's expenditures by a rate combining population growth and inflation rates.
 - The Legislative Budget Board must publish this rate annually by January 31.
 - Exceeding the limit is possible only with:
 - (1) voter approval at a uniform election, or
 - (2) in the event of a disaster declaration by the governor.
 - Certain revenues (like bond revenues or gifts) are excluded from being considered as available revenue.
- Neither bill has been referred to committee

Considerations

- Denton and surrounding areas have historically grown at a rate higher than the state average.
- Limits apply to all expenditures, including those paid from general tax revenues and expenditures from other revenue sources like enterprise system revenues and voter-approved special purpose sales tax.
- Enterprise Systems Revenue:
 - Water, wastewater, drainage, electric, etc.
 - Expenses are often driven by market forces and regulatory requirements but NOT population or inflationary factors.

Advocacy Tactics

- Send signed letter from the City Council expressing concerns to Denton delegation members.
- Request meetings with delegation members to express concerns directly.
 - Share data with delegation members and provide requested changes/exclusions.
- Have Council Members participate in committee hearings to express concerns.
- Encourage allied organizations to express their concerns to delegation.
- Share data with local media to drive public awareness.

Property Tax – Regular Legislative Session

HB 19

Various changes to a local government's ability to issue and leverage debt

- Failed to pass out of the committee in the 89th Regular Session
- Would have prohibited a city from authorizing additional debt if the resulting annual debt service in any fiscal year on debt payable from property taxes issued on or after September 1, 2025 exceeds 20 percent of the amount equal to the average of the amount of property tax collections for the three preceding fiscal years.
 - 20 percent of Denton's average tax collections is \$18.2 million, while the total annual debt is estimated at \$50 million for tax supported debt.

Property Tax – Regular Legislative Session

HB 19

- Codified the types of projects that a city may issue a Certificate of Obligation (CO) includes:
 - Transportation infrastructure, landfills, water and wastewater infrastructure, flood control and drainage projects, certain public safety facilities, including police stations and fire stations.
- Expressly prohibited the use of a CO for projects that are currently allowed, including:
 - Parking structure, airports, judicial facilities, administrative office buildings for a city, animal shelters, libraries, parks, stadiums, arenas, convention centers, and civic centers.
- Required an election to authorize general obligation bonds or approve an increase in the property tax rate to be held on the November uniform election date.
 - For the City of Denton, this mean the expense and staff time required to coordinate two elections in one year.

Questions?