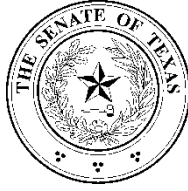

SENATE COMMITTEE ON LOCAL GOVERNMENT

**TEXAS SENATE
INTERIM REPORT**

**A REPORT TO THE
TEXAS SENATE
89TH LEGISLATURE**

**PAUL BETTENCOURT
CHAIRMAN**



Senate Committee on Local Government

The Honorable Dan Patrick
Lieutenant Governor of the State of Texas
Texas State Capitol
Austin, Texas 78701

Dear Governor Patrick:

The Texas Senate Committee on Local Government hereby submits its interim report for consideration by the 89th Texas Legislature. We thank you for providing us the opportunity to address the issues outlined in the charges issued by you to the Committee and to present recommendations that will benefit the State of Texas and its citizens.

Respectfully submitted,

Handwritten signature of Paul Bettencourt in black ink.

Senator Paul Bettencourt, Chairman

Handwritten signature of Drew Springer in black ink.

Senator Drew Springer, Vice-Chairman

Senator Sarah Eckhardt

Handwritten signature of Bob Hall in black ink.

Senator Bob Hall

Senator Roland Gutierrez

Handwritten signature of Robert Nichols in black ink.

Senator Robert Nichols

Handwritten signature of Angela Paxton in black ink.

Senator Angela Paxton

Handwritten signature of Tan Parker in blue ink.

Senator Tan Parker

Handwritten signature of Royce West in black ink.

Senator Royce West

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MEMBERSHIP

Senator Paul Bettencourt, Chair
Senator Drew Springer, Vice-Chair
Senator Sarah Eckhardt
Senator Roland Gutierrez
Senator Bob Hall
Senator Robert Nichols
Senator Tan Parker
Senator Angela Paxton
Senator Royce West

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Special Acknowledgements

The Senate Committee on Local Government would like to thank the Texas Lieutenant Governor, the Honorable Dan Patrick, for his leadership. In partnership with Lieutenant Governor Patrick, Chairman Bettencourt is honored to preside over the Committee and apply his experience and knowledge in administrating and leading local government to better the lives of all Texans.

The Committee would also like to extend a special thank you to the state agencies, staff, and stakeholders, whose work and input contributed greatly to the final product of this report. We hope this report will help guide the 89th Legislature in shaping reforms to the ways in which Texans govern themselves locally.

Interim Charges

Charge 1: *Additional Property Tax Relief and Reform:* Report on the effects of prior property tax relief and reform, including the \$18 billion tax cut with the \$100,000 homestead exemption authorized by the 88th Legislature. Focus particularly on the interaction between Senate Bill 2, 88th Legislature, 2nd Called Session, and Senate Bill 2, 86th Legislature. Make recommendations for further property tax relief and reform, including methods to improve voter control over tax rate setting and debt authorization, and mechanisms to dissolve taxing entities such as municipal management districts (MMDs) and tax increment reinvestment zones (TIRZs) when they have outlived their purpose.

Charge 2: *Extra-Territorial Jurisdictions:* Study issues related to the implementation of Senate Bill 2038 and House Bill 3053, 88th Legislature, and make recommendations to secure and enhance the protection of landowners' property rights.

Charge 3: *Local Government Spending of Directly Distributed Federal Funds:* Examine how local governments spend funds directly distributed to them by the federal government, such as Harris County's use of American Rescue Plan Act (ARPA) funds to set up a guaranteed-income pilot program. Make recommendations to ensure that the spending of such funds is transparent, accountable, and within the legitimate purposes for local governments under Texas law.

Charge 4: *Housing Affordability:* Study issues related to housing, including housing supply, homelessness, and methods of providing and financing affordable housing. Make recommendations to reduce regulatory barriers, strengthen property rights, and improve transparency and accountability in public programs for housing.

Charge 5: *Secure Texas Against "Squatters":* Review current laws relating to "squatters" or those claiming adverse possession of property. Make recommendations to streamline the process for the immediate removal of "squatters" and to strengthen the rights of property owners.

FOREWORD

In 2015, Lieutenant Governor Dan Patrick formed the Senate Select Committee on Property Tax Reform and Relief. The Committee took over 50 hours of testimony during eight hearings in seven cities, hearing from over 320 witnesses. Paramount in the Committee's findings was that city and county property taxes in Texas had increased between 2.5 and 3 times faster than median household income between 2005 and 2015. The conclusion from these hearings and the Committee's work was clear - steps to reduce property tax rates and protect taxpayers had to be taken.

In 2019, property taxpayers achieved significant victories with the passage of Senate Bill 2, which passed with the bipartisan support of both legislative chambers and was the first successful effort to reduce the rollback rate in 38 years. Senate Bill 2 reduced the Voter-Approval (formerly Rollback) Tax Rate from 8% to 3.5% for most counties and municipalities. SB 2 also provided taxpayers with greater input on the tax rates levied on their properties by eliminating the petition requirement to trigger voter approval tax rate elections and by making the elections automatic if a taxing unit seeks to adopt a tax rate above the voter approval rate. In the same legislative session, the Legislature passed House Bill 3 to address rising independent school district (ISD) tax rates.

Following the 86th Legislative Session, in March of 2020, the world began experiencing the worst global pandemic in a century - the effects of which are still very much being felt in many parts of the economy today, nearing 2025. The pandemic created new and unanticipated challenges to fully implementing Senate Bill 2. Provisions of the law intended to provide taxing units with tools to weather events that cause mass property damage were utilized by some taxing units to undermine the reforms made in Senate Bill 2. This disaster loophole was closed in the 2021 Legislative Session with the passage of Senate Bill 1438. The passage of Senate Bill 2 and House Bill 3 marked significant victories for taxpayers in controlling the growth of property tax bills and compressing property tax rates.

Continuing to build on its significant victories from the 86th Legislative Session, the 87th Legislature remained committed to delivering meaningful property tax relief. The Legislature passed Senate Bill 8 in the second called special session, which provides homestead exemptions to first-time homebuyers on the date they purchase the home. In the third and final called special session, the Legislature passed constitutional amendments to increase the residence homestead exemption from \$25,000 to \$40,000 and to provide property tax compression to over-sixty-five and disabled homestead properties.

The 88th Legislature delivered the largest property tax relief package in the State's history, totaling more than \$18 Billion! The Legislature passed Senate Bill 2 in the second called special session, which increased the homestead exemption to \$100,000, provided 10.7 cents of additional school district tax rate compression, and created a new 20 percent circuit breaker limitation on the appraised value of non-homestead properties valued less than \$5 million. These combined efforts led to monumental reductions of \$1,300 on the average homestead property tax bills, following historical run-ups of appraised values between 2020 and 2022. Homestead owners across the State saw net reductions in their 2023 homestead tax bill from 2022. Senate Bill 2 also provided reductions to over-sixty-five and disabled taxpayer's frozen tax bills, with a number of taxpayers reporting their ISD tax bill is now frozen at \$0!

Appendix A of this report includes average homestead tax bill calculations from tax offices in some of Texas' most populous counties. The calculations demonstrate the effects of the Legislature's efforts on average homestead tax bills, average over-sixty-five homestead tax bills, and average disabled homestead tax bills.

INTERIM HEARINGS

Visit the Senate Committee on Local Government webpage on the Texas Senate website for interim committee hearing audio/video recordings, minutes, and witness lists.

First Committee Hearing:

Date: May 15, 2024

Time: 1:00 PM

Location: Texas Capitol Extension, Extension Auditorium, Austin, TX

Proceedings: The Committee received invited and public testimony on charge 5.

Second Committee Hearing:

Date: September 5, 2024

Time: 11:00 AM

Location: Texas Capitol Extension, E1.012

Proceedings: The Committee received invited and public testimony on charges 2 and 3.

Third Committee Hearing

Date: November 7, 2024

Time: 10:00 AM

Location: Texas Capitol Extension, E1.028

Proceedings: The Committee received invited and public testimony on charges 1 and 4.

Charge 1: Additional Property Tax Relief and Reform

Report on the effects of prior property tax relief and reform, including the \$18 billion tax cut with the \$100,000 homestead exemption authorized by the 88th Legislature. Focus particularly on the interaction between Senate Bill 2, 88th Legislature, 2nd Called Session, and Senate Bill 2, 86th Legislature. Make recommendations for further property tax relief and reform, including methods to improve voter control over tax rate setting and debt authorization, and mechanisms to dissolve taxing entities such as municipal management districts (MMDs) and tax increment reinvestment zones (TIRZs) when they have outlived their purpose.

The Committee met on Thursday, November 7, 2024, to hear invited and public testimony on the Committee's property tax reform interim charge. The Committee took testimony from a total of seventeen witnesses representing the diverse views of homeowners, business owners, tax professionals, industry professionals, local taxing entities, and state agencies.

The Committee began by taking testimony from Maggie Jebsen and Avery Saxe, representing the Legislative Budget Board. Ms. Jebsen provided the Committee with an overview of the Foundation School Program (FSP), including an overview of the tiered components of the FSP.

Ms. Jebsen also provided the Committee an overview of tax relief mechanisms created by HB 3, 86(R), as well as a historical overview of recapture collections, over time. The estimated FY 24-25 cost for HB 3 compression was \$5.3 billion. Ms. Jebsen provided the Committee with an overview of the property tax relief provided by SB 2, 88(2). She explained that prior to SB 2, historic property value growth in tax year 2022 led to a 11.6 percent increase in M&O collections.

Ms. Jebsen explained SB 2, 88(2) provided additional property tax relief in addition to HB 3 rate compression by reducing tier one tax rates by an additional 10.7 cents, increasing the residence homestead exemption from \$40,000 to \$100,000, and establishing a 20 percent circuit breaker value limitation on non-residence homestead real property valued than \$ 5million, for three years (2024-2026). The estimated fiscal cost of SB 2's provisions in 2024-2025 is \$12.7 Billion. Ms. Jebsen also provided the Committee a breakout cost estimate of the individual components of SB 2.

Ms. Jebsen provided the Committee with a statewide overview of the tax year 2023 property tax levies by taxing jurisdiction type. School District tier one levies totaled \$24.6 billion. School district tier two levies totaled \$3.7 billion. School district I&S levies totaled \$11.2 billion. Non-school district levies totaled approximately \$42 billion. Total property tax levies in tax year 2023 totaled \$81.5 billion. The Committee asked LBB how many school districts were on the maximum compressed rate (MCR) floor in 2023 vs. 2024. Ms. Jebsen indicated LBB had 706 ISDs on the MCR floor in 2023 and expected 154 ISDs on the MCR floor for 2024.

The Committee next received testimony from Allison Mansfield, representing the Comptroller of Public Account's Property Tax Assistance Division. Ms. Mansfield provided the Committee with a statewide account of property tax levies by jurisdiction from 1998 to 2023, and provided an index of levy growth, indexed to tax year 1998. Ms. Mansfield also provided the Committee with an overview of the growth in number of taxing jurisdictions, by jurisdiction type. She noted that while the total number of counties and cities in Texas remains relatively unchanged over time, the total number of special districts has increased from just over 1,800 in 2019 to more than 2,200 in 2023, an increase of 24%. The

Committee and Ms. Mansfield discussed the history of the partially disabled veteran homestead exemption, noting that it had not been updated since 1979.

The Committee received testimony next from Brent South, representing the Texas Association of Appraisal Districts (TAAD). Mr. South provided the Committee with an overview of appraisal districts' implementation of Senate Bill 2. Mr. South described the challenges appraisal districts faced implementing the increased homestead exemption in tax year 2023 given the short implementation window necessitated by the November election. He noted that the use of two different tax rolls created confusion for some school auditors, but that generally auditors were able to overcome these confusions.

Mr. South highlighted that homestead properties whose market value have appreciated significantly in recent years, may see taxable values continue to increase, even in a down market, due to catch up from a 10 percent limitation on homestead values.

Mr. South highlighted confusion among appraisal districts on the implementation of the 20 percent circuit breaker limitation, citing confusion amongst chief appraisers and their counsel on which base year to use. Mr. South testified that some appraisal district attorneys interpreted that properties valued less than \$5 million in 2023 qualified for the circuit breaker limitation in 2024, and some attorney interpreted that properties were required to be valued less than \$ 5 million in 2024 in order to qualify for the circuit breaker limitation in 2024. Mr. South indicated chief appraisers continue to raise questions about when the circuit breaker resets when property ownership transfers, specifically from sales of undivided interests in properties. Mr. South indicated that TAAD conducted a preliminary poll of its membership to calculate the total amount of taxable value lost to the circuit breaker. He indicated 158 counties responded to the poll, with value loss totaling \$37 billion in year 1. Mr. South noted that some appraisal districts carry triple net lease properties as individual economic units on property rolls, adding to the complexity of implementing the circuit breaker.

Mr. South also provided the Committee with an overview of the implementation of elected appraisal district board members in counties with a population above 75,000. Mr. South and the Committee discussed that some appraisal districts had multiple candidates file for a single place and no candidates file for the two remaining places, as well as runoff election cost concerns incurred by some appraisal districts. Mr. South recommended making the election of board members by plurality instead of by majority.

Mr. South testified to confusion among some candidates for appraisal district board concerning the duties and responsibilities of board members. He recommended requiring mandatory training for the board of directors, and also recommended requiring candidates to sign a form acknowledging they understand the duties and responsibilities of the board. Mr. South testified that Kaufman Central Appraisal District created such a form, and the appraisal district had no candidate's file.

Mr. South and The Committee discussed concerns that some appraisal district boards are directing the chief appraiser, through the district's reappraisal plan, to use appraisal methodologies not authorized by statute. Mr. South and the Committee discussed that chief appraisers are held to professional standards under their license, and that boards should not impose appraisal standards not authorized by law. Mr. South and the Committee also discussed the implications of appraising property less than annually in depreciating real estate markets, noting that some property owners pay taxes on an appraised value higher than the property's actual market value. Mr. South and the Committee

discussed that limitations on appraised values do not provide tax relief to property owners, as taxing units' tax rates adjust to the value of the property roll. The Committee and Mr. South discussed hypothetical 5 percent limitations and -50 percent limitations, by way of example.

Mr. South and the Committee discussed the potential implications of district boards creating arbitrary appraisal standards to school funding, and the potential property value study (PVS) consequences for school districts. Mr. South explained the PVS is the mechanism by which the State ensures equitable distribution of public education monies. Mr. South provided the Committee with 20 years of PVS findings; appraisal district values were found to be valid in 92% of studies, found to be overvalued in 1.1% of studies, and found to be undervalued in 6.9% of studies. Mr. South recommended clarifying the connection between reappraisal plans and an appraisal district's constitutional and statutory responsibilities to appraise property annually at its market value.

The Committee asked Mr. South about the change in appraisal district funding ratios following the passage of Senate Bill 2. Mr. South indicated that an increased amount of appraisal districts' budgets were funded by counties and cities participating in the appraisal district. He explained that appraisal districts are funded proportionally by the district's participating taxing units, based on the amount of taxes collected within the district. Mr. South indicated the shift in proportion of funding for appraisal districts was not significant.

The Committee questioned Mr. South about an elected board member elected to the Bastrop CAD board of directors. Mr. South testified the individual was denied an application for a bee-keeping exemption in a prior tax year on the grounds he did not meet the qualifications for the exemption set by the appraisal district, and the individual sued CAD for the denial. The individual subsequently was elected to the appraisal district board of directors and refuses to recuse himself from the board's executive sessions with legal counsel to discuss litigation strategies concerning his case. The committee discussed that there are clear violations of conflict-of-interest statutes, and that abuse of official capacity statutes may apply in such circumstances. The Committee made clear that the board member's actions will not be tolerated.

The Committee asked Mr. South if local governments would automatically take advantage of an option to offer a local option flat dollar homestead exemption. Mr. South stated he believes it would depend on local average home value and noted that the tool would provide additional flexibility to locals to provide homeowners tax relief. Mr. South and the Committee discussed if taxing units with homogeneously priced home mixes (median value close to mean value) could help create affordability for first-time home buyers with a local option flat dollar homestead exemption available to them.

The Committee asked Mr. South about special income valuation methods for affordable multifamily and single-family housing. Mr. South testified he believed a fair valuation method could be written but cautioned that the special valuation methodology should be written clearly and specifically. Mr. South and the Committee discussed that special valuation methods should be structured to ensure that only qualifying properties receive the special valuation, which helps reduce litigation risk challenging the application of the method for appraisal districts.

The Committee received testimony next from Larry Gaddes, Williamson County Tax Assessor-Collector. Mr. Gaddes provided the Committee with average homestead tax bill data for homestead properties in Williamson County, looking at the effects of SB 2 on homestead tax bills over time. Mr.

Gaddes testified market values in Williamson County increased 48% between 2021-22, residential market values declined 13% between 2022-23, and market value remained relatively flat between 2023-24. Mr. Gaddes told the Committee the average SB 2 (2023) reduction in Williamson County tax ceiling tax bills was a \$1,350 reduction between tax years 2022-23, slightly above Senator Bettencourt's office estimates of \$1250-1300 per year (office estimates listed in Appendix A).

Mr. Gaddes testified anecdotally that his homestead tax bill decreased by \$200 between 2021-22, despite the 48% value increase in his homestead's market value, indicating the rate compression mechanisms passed in 2019 are working. Mr. Gaddes told the Committee he received phone calls from many taxpayers over sixty-five who were in disbelief about the reduction in their 2023 school tax bills. Mr. Gaddes said many called the tax office in tears because their frozen 2023 school tax bill was \$0. The Committee recalled a group of over sixty-five taxpayers who formed a working group, thinking their \$0 ISD tax bills were incorrectly calculated; they were overjoyed to find out that their bills were correctly calculated. The Committee pointed out that these taxpayers would no longer pay school district M&O taxes after paying a lifetime of taxes.

Mr. Gaddes pointed out that some homestead properties will continue to see assessed value increases and increases in their tax bill in a declining real estate market as the 10 percent limitation on homesteads catches up to a declining market value. The Committee and Mr. Gaddes discussed the confusion some homebuyers experience when prior owner homestead exemptions transfer. The Committee asked Mr. Gaddes if his office has any difficulty administering the partial year homestead exemption for first time homebuyers; he indicated they had no difficulties administering the exemption.

The Committee asked Mr. Gaddes about the administration of a flat dollar local option homestead exemption (LOHE). Mr. Gaddes stated that a percentage LOHE creates budget complexities for local jurisdictions, because it requires projecting future market values, which are uncertain. Mr. Gaddes indicated that a flat dollar LOHE is easier to project, and easier to manage for local governments.

The Committee asked Mr. Gaddes the administration of truth-in-taxation calculations for special districts. Mr. Gaddes testified that there are 140 taxing units in Williamson County, seventy of which are MUDs. Mr. Gaddes stated that Williamson County operates a consolidated tax office and that his office provides truth-in-taxation calculations to only a fraction of the MUDs. He stated that many of the MUDs in Williamson County rely on their counsel for the calculations, noting that the calculation for MUDs is relatively simple. Mr. Gaddes indicated that taxing units are required to post the truth-in-taxation calculations to their webpages and the statewide database but noted that not all taxing units are complying with the requirement.

The Committee asked Mr. Gaddes for the results of any November tax rate elections in Williamson County. Mr. Gaddes told the Committee there were two ISD VATREs on the Williamson County ballot, and both failed. The Committee also asked Mr. Gaddes if he was aware of any homestead properties in Williamson County whose ISD tax bill was higher in 2023 than in 2022. Mr. Gaddes stated there were no such properties in Williamson County.

The Committee received testimony next from James Quintero, representing the Texas Public Policy Foundation. Mr. Quintero provided the Committee with a list of recommendations to strengthen property tax reforms passed in 2019. Mr. Quintero recommended creating voter approval tax rate

uniformity for all taxing units, so that all taxing units operate under a single voter approval tax rate amount. He also suggested considering lowering the current voter approval tax rate thresholds.

Mr. Quintero raised concerns that local governments are issuing an increasing amount of interest and sinking (I&S) debt. Mr. Quintero recommended prohibiting individuals that make political contributions to local official campaigns from being awarded contracts paid for with I&S revenue. Mr. Quintero also recommended considering imposing a limitation on local government expenditures, pointing to Colorado's Taxpayer Bill of Rights as an example. The Committee asked Mr. Quintero whether local governments should be allowed to grow property tax revenue streams at the rate of inflation plus population growth rates. The Committee discussed that local governments already exclude the value of new property in their no-new revenue rate calculation.

Mr. Quintero and the Committee discussed the growth in the number of special taxing units. Mr. Quintero recommended separating special districts into two categories – districts that provide services and districts that finance infrastructure. He also recommended creating a sunset review process for special taxing districts.

The Committee and Mr. Quintero discussed the passage rate of recently proposed tax rate and bond elections, and the difficulties with tracking tax rate increase efforts across the State. The Committee and Mr. Quintero discussed creating a database for bond and tax rate elections. Mr. Quintero also recommended increasing the threshold of voter support required for bond issues to pass. The Committee questioned Mr. Quintero about his recommendation to amend the definition of local debt and asked if he preferred pay-as-you-go financing. Mr. Quintero stated he was not opposed to the issuance of public debt but has concerns with the efficiency of procedures used by some local governments to issue debt and deliver projects.

The Committee received testimony next from Carl Walker, representing the Texas Taxpayers and Research Association (TTARA). Mr. Walker testified that Senate Bill 2, 88(2) reduced total property tax collections in Texas by \$4.4 billion. Mr. Walker noted that single-family homes received 84 percent of the 2023 property tax relief, totaling \$3.67 billion. He told the Committee all state property, mostly business property, received 16% of the tax relief or \$685 million.

Mr. Walker testified that the \$100,000 increase to the school district residence homestead exemption left 43% of residential property value on school tax rolls, while 96 percent of business property value remained on the roll. Mr. Walker also pointed out that the property tax relief is paid for by state revenues, 57.8 percent of which is estimated to be paid by businesses. Mr. Walker testified that under the new structure, business was paying for the majority of homestead property tax relief and testified to the setbacks incurred to attracting capital investment to the State.

Mr. Walker testified that future property tax relief efforts should seek to not exasperate any tax burden shifts caused by previously passed legislation. Specifically, Mr. Walker suggested that additional tax rate compression would benefit all property taxpayers proportionally and would not exasperate any shifts to the tax burden. He noted however, that future rate compression for school district tax rates may necessitate adjusting the equity band imposed by the Legislature. Mr. Walker testified that the increase to \$100,000 residence homestead exemption achieves the proper relationship between personal income and property taxes.

Mr. Walker also provided recommendations on how to reverse any tax burden shifts caused by previously passed legislation. He recommended exempting business personal property (BPP) from ISD taxes. Mr. Walker estimated the cost of exempting BPP at \$3.4 billion, in 2023 dollars. He estimated a BPP exemption would bring down the total amount of business property value on ISD tax rolls from 93 percent to 66 percent.

Mr. Walker emphasized that future tax relief efforts should shift attention away from property appraisals and towards tax rates and tax rate setting. He noted that both appraisal caps and exemptions shift tax burdens to non-capped or non-exempt taxpayers. Mr. Walker testified that the only way to keep property taxes in check, is to keep local spending in check. Mr. Walker told the Committee TTARA and the Baker Institute at Rice University are currently conducting an ongoing study on the effects of the circuit breaker created in SB 2, 88(2), and the report will be made available to the 89th Legislature. The Committee discussed that it was local governments that set tax rates, which determine the final levy amounts, and discussed that Harris County's appraisal roll was effectively flat in 2024, and that the 15 percent increase in county levies resulted from tax rate increases.

Mr. Walker pointed out that a significant amount of the property tax relief provided in 2023 was covered by other local jurisdictions, increasing tax levies. He calculated that the state provided \$5.2 billion in ISD M&O tax reductions, but that total tax levies statewide were reduced \$414 million. His calculations indicated reductions in ISD, and M&O tax collections were offset by \$4.7 billion in tax increases in ISD I&S, as well as city and county tax increases. Mr. Walker estimated approximately \$3.2 billion of the levy offsets are attributable to population and inflation growth, meaning approximately \$1.5 billion of the Legislature's tax relief efforts were recaptured by local governments.

Mr. Walker also recommended increasing transparency measures around I&S tax rate settings. He suggested requiring I&S tax rates to be set on the minimum amount of the taxing unit's debt service and allowing for taxing units to increase I&S tax rates for accelerated debt retirement with voter approval. The Committee and Mr. Walker finished by discussing the difficulties in determining the correct level of core functions of government.

The Committee received testimony next from Shannon Halbrook, representing Every Texan (ET), formerly the Center for Public Policy Priorities (CPPP). Mr. Halbrook testified that ET opposed the 88th Legislature's property tax relief efforts. He stated ET would continue to oppose efforts to reduce property tax rates because tax rate cuts disproportionately benefit wealthy property owners and because rate cuts harm the State's ability to fund public education.

Mr. Halbrook acknowledged the increase to a \$100,000 homestead exemption helps offset the regressive characteristics of tax rate compression in SB 2, 88(2), and helps offset inherent regressivity of property tax systems. He testified that with the increased homestead exemption amount increased the number of homes under the homestead exemption threshold; 1.3 million households are no longer paying M&O taxes under the \$100,000 threshold, up from 367,000 households. The Committee highlighted that the increase to the homestead exemption was the Senate's commitment to making homeownership more attainable. The Committee asked Mr. Halbrook if an increased sales tax rate would be more regressive than the State's current property tax structure; Mr. Halbrook indicated an increase to the sales tax in lieu of property taxes would be more regressive.

Mr. Halbrook recommended considering a flat-dollar local-option homestead exemption. He also suggested creating a renter's credit or a renter's tax rebate program; the Committee noted that states with credit programs for renters' levy income taxes that can be credited against. Mr. Halbrook finished by recommending the State implement an earned income tax credit.

The Committee, Mr. Walker, Mr. Quintero, and Mr. Halbrook walked through recently published data from The Tax Foundation, which ranked Texas as the 6th lowest combined state and local effective tax burden per capita in the nation.

The Committee received testimony next from Adam Haynes, representing the Conference of Urban Counties (CUC). Mr. Haynes testified to the Legislature's ongoing efforts to improve transparency in the tax rate-setting process, covering SB 2 and HB 3 reforms made in 2019. Mr. Haynes stated that requiring the posting of tax rate calculations and proposed tax rates to county websites and a centralized database, improved taxpayer access to information affecting their tax bills. Mr. Haynes testified that the increases to the homestead exemption and adjustments made to Over 65 and disabled taxpayers' bill were positive changes for county taxpayers. Mr. Haynes testified that counties would prefer to administer a local option flat dollar homestead exemption instead of the current local option percentage.

The Committee and Mr. Haynes discussed the current disaster tax rate exemption available to taxing units following a state and/or federally declared disaster. Mr. Haynes testified that local governments cash flow disaster relief efforts use revenues from the increase in taxing authority. Mr. Haynes pointed out local governments are responsible for the upfront costs of disaster relief and are reimbursed by FEMA on the back end. He stated that in some instances, it has taken up to six years for local governments to receive FEMA reimbursement.

The Committee and Mr. Haynes discussed the appropriateness of county governments using an 8 percent voter approval tax rate to raise revenue when the county incurs little expense from a disaster. The Committee pointed out that Hurricane Beryl, which Harris County used as justification to use an 8 percent rate, caused little damage to County property, and that the bulk of expense from the storm was related to utility infrastructure damage. The Committee asked Mr. Bill Longley and Mr. Haynes about property and casualty losses to cities and counties from extreme weather disasters. The Committee asked if any other counties utilized the 8 percent disaster mechanism following Hurricane Beryl; Mr. Haynes indicated Harris County was the only county. The Committee discussed considering reforming the disaster exemption to ensure that additional revenues gained from tax rate increases align with actual expenditures related to a disaster.

The Committee and Mr. Haynes discussed the issue of travelling housing finance corporations (HFCs) closing multi-family deals outside of the HFC's jurisdictional boundaries. Mr. Haynes and the Committee discussed the tax burden shift that occurs when an outside HFC closes on property, making it tax exempt without the knowledge of local taxing jurisdictions. Mr. Haynes suggested requiring the commissioner's court for the county in which a property is located to sign off on an HFC acquisition in order for a tax exemption to be valid.

The Committee received testimony next from Bill Longley, representing the Texas Municipal League (TML). The Committee asked Mr. Longley if TML supports local official approval of HFC tax exemptions; Mr. Longley indicated TML supported requiring local officials' approval of HFC tax

exemptions. Mr. Longley also testified that TML supports a local option flat dollar homestead exemption.

Mr. Longley testified on the process that occurs when mistakes are made in calculating the tax rates. Mr. Longley stated that TML supports legislation that would allow cities to account for prior year calculation mistakes when calculating tax rates for the current tax year. Mr. Longley also testified that TML supports bringing consistency to the calculation of owners' opinion of value in the truth-in-taxation calculations, noting there are differing interpretations of how the value is calculated.

Mr. Longley testified that TML member cities have looked at various ways to accomplish pay-as-you-go financing. He described pay-as-you-go financing as funding capital expenditures using M&O revenues and testified that TML was exploring ways to incentivize cities to utilize pay-as-you-go financing.

The Committee received testimony next from Blake Vaughn, representing himself. Mr. Vaughn testified on the importance of clear ballot language for bond and tax rate proposals. He told the Committee that some school districts were creating confusion by stating that property taxes were not increasing because the tax rate would remain unchanged. Mr. Vaughn also raised concerns that some taxing units were utilizing certificates of obligation to circumvent voter approval or denial of public debt. Mr. Vaughn recommended ensuring taxing units provide straightforward information to taxpayers, and to consider putting restraints on local governments issuing debt without voter approval.

Next, the Committee received testimony from Joe Palmer, representing Eliminate Property Tax. Mr. Palmer testified that his aunt lives in a house in Ft. Worth that her parents purchased for approximately \$6,000 in the 1960's. Mr. Palmer testified the annual tax bill for his aunt's property is approximately \$6,000. Mr. Palmer testified that he protested the market value of his aunt's property annually, but that the appraisal review board would not accept certified appraisals as evidence. He also provided testimony that some ISDs are circumventing ballot language requirements by hiding the required language in paragraph text. Mr. Palmer proposed eliminating property taxes in Texas and replacing them with an expanded 7 percent consumption tax.

The Committee received testimony next from Bill Eastland, representing Texans for Freedom. Mr. Eastland proposed that Texas should take steps to completely privatize education in Texas. He suggested that the Legislature mandate all public schools be sold within fifty years, using proceeds from sales to service existing debt, in replacement of property taxes.

Next, the Committee received testimony from Aaron Hargett, representing Buckner International. Mr. Hargett testified that Buckner International provides senior Texans with high quality housing care, and that Buckner has relied on charitable organization tax exemptions for decades. Mr. Hargett testified that Buckner properties qualified for the charitable organization exemption that allows for organizations to receive an exemption if they provided housing services without regard to a resident's ability to pay, and other properties qualified under the four percent net resident revenue exemption. Mr. Hargett explained that recent changes to the interpretation of these exemptions by some chief appraisers have led to the removal of exemptions that have been in place. Mr. Hargett requested the Legislature clarify the applicability of these charitable organization exemptions.

The Committee received testimony next from Cynthia Stamer, representing herself. Ms. Stamer testified that stable affordable housing is a problem for low-income and aging Texans. Ms. Stamer explained that Texans living on fixed incomes are experiencing increased difficulties protecting assets whose value have appreciated beyond their income levels. Ms. Stamer suggested expanding eligibility for tax ceilings to Texans younger than sixty-five.

The Committee received testimony next from Mark Goloby, representing himself. Mr. Goloby testified that a government surplus is indicative of over collected taxes. Mr. Goloby testified that the State's surplus revenue is indicative of the State collecting too much sales tax revenue, and suggested the Legislature should cut the sales tax rate. Mr. Goloby also stated his opposition to programs offering tax abatements to corporations.

Next, the Committee received testimony from David Billings, Mayor of Fate, TX. Mr. Billings recommended that MUDs be required to hold elections for all of their debt issuances. He also recommended that MUD boards be required to meet inside a city's limits if the MUD is located in the city's ETJ. Mr. Billings recommended allowing cities to levy fees to MUDs to recoup costs associated with providing municipal police and fire services. The Committee and Mr. Billings discussed cost recoupment for services rendered outside of a city's jurisdiction.

The Committee received testimony next from Amy Hedtke, representing herself. Springtown ISD authorized three bond election contracts totaling \$212,000 for a May 2025 bond in four minutes. Ms. Hedtke recommended improving bond transparency measures, raising concerns that ISDs are dishonest in bond marketing materials. Ms. Hedtke testified that some ISDs are gaming the I&S tax rate setting process, and dishonestly threatening higher tax rates if bond proposals fail. Ms. Hedtke testified that a standardized petition form should be produced for citizens to oppose the issuance of certificates of obligation. She also testified that voter approval threshold for tax rate elections should be increased to sixty percent, and that all tax rate elections should be held in November.

Ms. Hedtke raised concerns that ISDs held bond elections in November 2024 on ballots separated from the November consolidated ballot. She testified that in Hallettsville ISD, residents were required to drive to another county in order to vote in the school district's bond election. Committee members discussed they experienced similar voting procedures in Van Zandt County, and that county officials were reluctant to direct voters to the ISD bond election held in a different location. Ms. Hedtke testified that similar concerns were raised by residents in Bexar County. Ms. Hedtke testified that the Bond Review Board has ceased providing their bond roundup; she recommended creating a statewide database for ordered tax rate and bond elections and requiring taxing units to submit ordered elections to the database within 72 hours of ordering an election.

The Committee received testimony next from Charles Scoma, representing the Texas Silver Hair Legislature (TSHL). Mr. Scoma testified that TSHL passed a resolution supporting an individual's ability to reapply a tax ceiling to a homestead property following a temporary stay in an assisted living facility. Mr. Scoma explained that some elderly Texans lease their homesteads when entering a temporary assisted living situation, and the homestead exemption is removed. He proposed allowing reapplying a former freeze value to the homestead if the property owner returns to the homestead property.

Next, the Committee received testimony from Michael Berlanga, representing himself. Mr. Berlanga testified that he conducts property tax seminars throughout the State. Mr. Berlanga stated

that the majority of the attendees at his seminars do not understand their rights under the Tax Code. He recommended empowering the Comptroller to control school funding efficiencies.

RECOMMENDATIONS

1. The Legislature should consider adopting legislation requiring the citation and sourcing of data used on a taxing entity's tax rate calculation worksheet.
2. The Legislature should consider adopting legislation clarifying that tax rate calculations from prior tax years may not be amended for purposes of calculating a current year tax rate.
3. The Legislature should consider adopting legislation amending the definition of debt for purposes of calculating a tax rate to ensure that only voter-approved debt is included in the calculation of a debt tax rate.
4. The Legislature should consider adopting legislation requiring oversight and periodic audit reviews of taxing entities' tax rate calculations.
5. The Legislature should consider adopting legislation repealing taxing entities' ability to adopt a de minimis tax rate.
6. The Legislature should ensure that all tax rate and bond elections are held on a uniform election date and placed on a consolidated ballot.
7. The Legislature should consider creating a statewide database for ordered tax rate elections and bond elections.
8. The Legislature should consider adopting legislation clarifying a specific calculation of the following for taxing entities' tax rate calculation worksheets:
 - a. Taxable value lost because court appeals of ARB decisions reduced prior year appraised value.
 - b. Prior year taxable value subject to an appeal under Chapter 42
 - c. Total taxable value on the current year certified appraisal roll
 - d. Total value of properties under protest or not included on certified appraisal roll.
9. The Legislature should adopt legislation clarifying the duties and responsibilities of appraisal districts' board of directors, ensuring boards implement the property tax code as passed by the Legislature.
10. The Legislature should consider an additional increase to the ISD homestead exemption, given the success of the \$100,000 homestead exemption, which provided approximately half of the historic SB 2 property tax reductions for homeowners.

Charge 2: Extra-Territorial Jurisdictions

Study issues related to the implementation of Senate Bill 2038 and House Bill 3053, 88th Legislature, and make recommendations to secure and enhance the protection of landowners' property rights.

The Committee met on Thursday, September 5, 2024, to hear invited and public testimony on the Committee's extra-territorial jurisdiction charge.

The Committee began by first taking testimony from Scott Norman, representing the Texas Association of Builders. Mr. Norman started by referencing the Comptroller's report on housing affordability, which found that the State is experiencing a shortage of single and multi-family housing stock, leading to higher costs. Mr. Norman told the Committee that while SB 2038 was a relatively new statute, builders' experiences utilizing ETJ removal petitions have largely been positive. However, Mr. Norman reported there are currently legal challenges to the bills filed by some cities, and some cities are simply ignoring the requirements of the law, despite the lack of an injunction issuance from a court.

Mr. Norman also testified to the difficulties encountered by builders and developers seeking to build projects in extra territorial jurisdictions where municipal and county regulations conflict. Mr. Norman pointed to legislative efforts over multiple sessions seeking to create a statutory framework whereby either a city's or county's regulations would individually control, or where both entities regulate via an agreement, which have worked with varying degrees of success. Mr. Norman discussed that the Legislature had effectively ended forced annexation without landowner consent and questioned the continued need for an extraterritorial jurisdiction.

Mr. Norman highlighted that some municipalities are processing SB 2038 petitions and allowing land to be removed from their extra-territorial jurisdictions but are then denying property owners connection to utility service, despite the property being located within the municipality's CCN. Mr. Norman pointed out that a city's extra-territorial jurisdiction is not always coterminal with the city's CCN boundaries, and that the State grants CCN's and exclusive monopoly service territory to utilities, with an understanding that the utility will provide service to properties within the CCN. Mr. Norman testified that utility service is vital to the building and development of housing supply, and that the CCN issue was impeding the construction of new housing supply.

The Committee took testimony next from James Quintero, testifying on behalf of the Texas Public Policy Foundation. Mr. Quintero testified he believed Senate Bill 2038 to be one of the most consequential pieces of legislation that has passed in recent years, and that the bill enables individuals to participate in the democratic process, mitigates concerns about regulation without representation, and requires cities to take ETJ residents concerns into account.

Mr. Quintero testified he believes the law has generally been well received, citing reports that over three hundred petitions have been successfully filed in Austin, highlighting that Tesla's Gigafactory and the Austin Zoo both successfully utilized SB 2038 petitions to remove the properties from Austin's ETJ. Mr. Quintero reported to the Committee approximately 2,000 acres have been released from Ft. Worth's ETJ, and the City of San Antonio has released approximately 525 acres.

Mr. Quintero raised concerns related to ongoing legal challenges to Senate Bill 2038. He discussed the ongoing litigation, noting that no judicial determination has been in the constitutional

challenges to the legislation. Mr. Quintero raised concerns that, despite the lack of a judicial determination in the constitutional matter, city councils are adopting resolutions stating they believe the law to be unconstitutional and affirmatively stating the city will not follow requirements of the law. Mr. Quintero provided examples of resolutions from the City of College Station and the City of Aledo.

Mr. Quintero testified that the Texas Public Policy Foundation challenged the constitutionality of the extra territorial jurisdiction, alleging violations of guarantees to the republican form of government. He testified that the City of College Station was a defendant in that suit, and that the case was currently undergoing review by the Texas Supreme Court.

Next, the Committee received testimony from Bill Longley, representing the Texas Municipal League. Mr. Longley testified on the history of municipal regulation in the extra-territorial jurisdiction, providing additional context of how the laws have developed alongside changes made to municipal annexation laws. Mr. Longley laid out legislative finding provisions of the extra-territorial jurisdiction and testified that there has long been an emphasis on the continuity of services, and protections for the health and welfare of municipal and extra territorial jurisdiction residents.

Mr. Longley provided the committee with data on the number of petitions filed and granted in a number of Texas cities. At the time of hearing, he testified the City of Austin received 878 petitions for release, granting release for 668 petitions, and finding deficiencies with the remaining. The City of Houston received sixty-two total petitions, forty-five of which were from corporate owners of property. The City of Georgetown received fifty-two petitions.

Mr. Longley testified that the primary concerns the Municipal League received from its members relate to the inability to apply subdivision and plating regulations to properties that are removed from their ETJ. Mr. Longley also testified that the cities' comprehensive planning for utility and transportation services are becoming increasingly obsolete because cities are experiencing increased uncertainty about the future ETJ and incorporated statuses of some properties.

Mr. Longley testified SB 2038 raised new concerns about the connection of utility services to properties that have been removed from a municipal ETJ but are still located in the city's certificate of convenience and necessity (CCN). He also testified the bill raised new concerns on the enforceability of economic development agreements entered into between municipalities and landowners. Mr. Longley and the Committee discussed whether valid concerns relating to a patchwork of service providers for individually located properties exist. The Committee noted that Harris County residents receive services from more than five hundred different taxing units and service providers.

The Committee questioned Mr. Longley on the validity of a resolution adopted by the City of College Station whereby the city adopted a blanket denial for petitions submitted pursuant to Senate Bill 2038. The Committee questioned the differences between the adoption of an effective "sanctuary city" style resolution, and refusing to enact a bill passed by the Legislature. Mr. Longley stated some cities are pointing to statutory provisions requiring municipal approval for ETJ reductions and stating the conflict with the ministerial duties imposed by Senate Bill 2038. Mr. Longley and the Committee discussed concerns of whether the reduction of municipal regulatory authorities in the ETJ may lead to a proliferation of new local government and service providers.

The Committee received testimony next from Adam Haynes, representing the Texas Conference of Urban Counties. Mr. Haynes testified to concerns from urban counties, who are seeing increases in populations living in unincorporated county, stating that counties often times lack the statutory authority to provide services that these residents expect from municipal governments. Mr. Haynes testified that some commissioner courts are acceptable to service delivery from multiple providers, but some commissioner's courts are opposed to such delivery methods. Mr. Haynes explicitly stated that urban commissioner's courts were not requesting zoning authority.

The Committee took testimony next from Howard Cohen, testifying on behalf of Schwartz, Page & Harding, LLP. Mr. Cohen testified that Senate Bill 0238 was the most significant property owners' rights legislation that passed in recent memory. Mr. Cohen's testimony focused on the ways that cities are using the ETJ, following forced annexation reform imposed in 2017 and 2019. He testified that many cities use their regulatory authority in ETJs to leverage negotiation tactics against property owners seeking to develop. Mr. Cohen contended that many cities were not, in fact, following the law under Senate Bill 2038. He stated that ongoing litigation combined with cities' tactics of denying petitions creates uncertainty in the development process and uncertainty is stalling development.

Mr. Cohen testified to his concerns with creating an exception for Senate Bill 2038 petitions for economic development agreements. Mr. Cohen described the processes and statutory frameworks under which economic development agreements were originally entered. He questioned whether or not those agreements are impacted by the ETJ status of a process and suggested that an exception for those properties could greatly limit the positive impacts realized from Senate Bill 2038.

The Committee questioned Mr. Cohen on the incentive level that cities have to provide services to areas they are unlikely to annex, following reforms to forced annexation procedures. Mr. Cohen stated the answer would be determined by individual circumstances, noting there are circumstances where the provision of city services is economically and geographically feasible, and there are other circumstances where the provision of services is not feasible. Mr. Cohen went on to explain that the preferred, ongoing model to deliver services in the unincorporated county is through the creation of special districts. The Committee continued by questioning the policy justifications for continuing the existence of ETJs and discussed various methods for delivering adequate basic services to county residents.

Next, the Committee received testimony from Brad Garner, representing Taylor Morrison. Mr. Garner testified that Taylor Morrison owns a master planned community located primarily in Leander, Texas. Eight acres of Taylor Morrison's development was located in the City of Cedar Park's ETJ. Prior to the passage of Senate Bill 2038, Taylor Morrison spent more than one year negotiating with the City of Cedar Park and the City of Leander for release from Cedar Park's ETJ, with no success, stranding the development in a patchwork of regulatory controls. Following the passage of Senate Bill 2038, the land was removed from the Cedar Park ETJ, and Taylor Morrison was able to develop the master development under a single congruent regulatory regime.

The Committee next took testimony from Garrett Martin, representing Milestone Builders, who testified on Milestone Builders experience using Senate Bill 2038 petitions in Buda, TX. Mr. Martin testified that Milestone Builders have been working for six years in pursuit of entitlements to develop an 844-acre master planned community. Mr. Martin noted that in six years of negotiations with Buda's City Council, he received only an hour-long meeting with a city council member to discuss the merits of the

project. To date, the city has demanded concessions making the master community development uneconomical. Mr. Martin testified that following the passage of Senate Bill 2038, Milestone Builders realized an ability to remove themselves from the City of Buda's ETJ and receive utility service from the City of Austin. This realization provided Milestone Builders negotiation leverage which allowed them to finalize the master plan agreements with the City of Buda.

The Committee received testimony next from Nick McIntyre, testifying on behalf of Perry Homes. Mr. McIntyre testified Perry Homes owns a 448-acre master planned community immediately south of Lockhart, TX, with two-thirds of the project located in Lockhart's ETJ. Mr. McIntyre stated that MUD approval was granted to the project by the City of Lockhart in 2019 and filed a preliminary plat for the project in 2022. During the plating process, Mr. McIntyre stated the City of Lockhart routinely requested changes to filed plats and delayed turnaround, while the county provided comment without delay. Perry Homes was granted plat approval from the City of Lockhart in July 2023, but utilized a Senate Bill 2038 petition to remove the area from Lockhart's ETJ, to streamline development of the community with the county government. Mr. McIntyre stated that the negotiation period for the community development was effectively halved by negotiation powers he attributed to Senate Bill 2038.

Next, the Committee received testimony from Seth Mearing, representing Gray Engineering. Mr. Mearing testified that he has been involved in building master planned communities in the Austin area since 2006, and that the average entitlement period for 1,000+ home communities has ranged from 3-5 years, on average, in Austin. Mr. Mearing told the Committee he is currently working on a development that was located in the Austin ETJ, removed using a Senate Bill 2038 petition, and is currently creating a special utility district administratively. He noted the entitlement period for that development had been cut to 18 months, citing the benefits of SB 2038. The Committee noted that local governments benefit from fast and efficient development by adding value to the tax base.

The Committee next received testimony from Rylan Yowell, representing Provident Realty, who shared one of Provident's success stories using Senate Bill 2038 petitions. Mr. Yowell told the Committee Provident Realty owns 5,000 contiguous acres, partially located in a North Texas city's ETJ. Provident created a special district in 2018 and was unable to successfully negotiate development terms with the city. Following the passage of SB 2038, Provident found the city was more willing to negotiate on development standards, because Provident now has the ability to remove themselves from the city's ETJ and receive utility service from other local jurisdictions.

Next, the Committee received testimony from Trey Lary, representing Allen Boone Humphries Robinson LLP. Mr. Lary's testimony focused on owners of raw land who are utilizing Senate Bill 2038. Mr. Lary testified that often times, the value of an individual's property is determined by whether the property can be served with water and wastewater utilities. He described a simple extortion scenario, whereby cities leverage the provision of water services in the ETJ contingent on a landowner accepting terms that are otherwise unacceptable to them. Mr. Lary also described an instance where a developer was required to pay \$5 million to provide capital improvements to a park located outside of the development in exchange for approval on the developer's MUD application. Mr. Lary testified following passage of Senate Bill 2038, he has experienced a more favorable negotiating environment for landowners, and in circumstances where agreement cannot be reached, landowners remove property from the ETJ.

Mr. Lary reported to the Committee that the City of Val Verde adopted an ordinance whereby the city makes judicial determinations, and the city blanket denies the approval of all Senate Bill 2038 petitions. He provided additional context that Val Verde does not operate a water or wastewater service and cannot provide these services under any circumstance. Mr. Lary also pointed out that cities challenging Senate Bill 2038's constitutionality are using taxpayer funds to litigate their ability to control land for which they cannot collect revenue and questioned the appropriateness of this type of taxpayer-funded litigation.

The Committee received testimony next from Michael Schaefer, a homebuilder representing himself. Mr. Schaefer told the Committee he has been in the process of developing two communities in the City of College Station's ETJ. Mr. Schaefer told the committee he filed a Senate Bill 2038 petition to remove two parcels from the city's ETJ, and they were removed by operation of law, after which he began working with the county on development requirements. The city followed by adopting a city ordinance whereby they denied the city blanket all SB 2038 removals, which has stranded the development. Mr. Schaefer testified that the City of College Station is currently seeking approximately \$2 million of concessions in exchange for approval of the development.

The Committee received testimony next from JJ Ybarra, representing the City of Elsa. Mr. Ybarra highlighted the City of Ybarra's concerns stemming from increased illegal immigration and expressed the city's wishes to regulate development in the city's ETJ. The Committee questioned Mr. Ybarra after he raised concerns that some developments in other parts of Texas encouraged illegal immigration. The Committee also questioned Mr. Ybarra on the legitimacy of concerns raised by the City of Elsa related to the single ETJ removal petition received by the city.

Next, the Committee received testimony from Daniel Rivera, representing the Elsa Economic Development Corporation. Mr. Rivera raised concerns that Senate Bill 2038 petitions threatened progress made in developing the city by allowing for land to be removed "from the heart of the city". The Committee questioned the applicability of Senate Bill 2038 to these circumstances, as land located "in the heart of the city" could not be located in the city's ETJ but would be located in the city's incorporated limits.

The Committee received testimony next from Susan Harris, owner of a business development in South Austin and representing herself. Ms. Harris told the Committee that her property was included in a petition for election for ETJ release from the City of Austin's ETJ, and that she received no notice of her property's inclusion in the petition, which afforded her no ability to speak or oppose the inclusion of her property. She told the Committee that she became aware of her property's inclusion in a petition while reading the obituary section of the Austin American-Statesman when she saw a picture of her property in the public notice section. Ms. Harris raised concerns that property owners may have their properties automatically removed from a city's ETJ against the owner's will, and the property owner may have no ability to re-admit their property to an ETJ. Ms. Harris requested the Legislature consider amending the law to require notice to all property owners involved in a removal petition, allowing property owners to remove themselves from the applicability of a removal petition, and granting property owners who are inadvertently removed via election the explicit ability to re-admit themselves to a city's ETJ.

Next, the Committee received testimony from Doyle Moss, Mayor of Willow Park. Mr. Moss testified that following the passage of Senate Bill 2038, Willow Park has been approached by two developers who were unable to secure the provision of water services from other nearby cities, based

on their geographical location relative to the city's. Mr. Moss testified that the City of Willow Park has been significantly investing in its water and wastewater infrastructure, so they are able to ensure adequate service to developments located in or near the city's ETJ.

The Committee received testimony next from Dana Burghdoff, Assistant City Manager for the City of Ft. Worth. Ms. Burghdoff stated that Ft. Worth have been fully complying with the requirements of Senate Bill 2038 and was releasing land when ETJ removal petitions were received. Ms. Burghdoff highlighted concerns raised in Ft. Worth about ETJ removals, citing development agreements entered between landowners and the city, and capital investments already incurred pursuant to those agreements. The Committee questioned Ms. Burghdoff on the length of terms for these agreements. Ms. Burghdoff stated that statute limits the initial terms of those agreements to 45 years, but that the city considers the agreement to run with the land. Ms. Burghdoff also communicated that the City of Ft. Worth's desire to disallow land located in the city's regional water CCN to be removed from the city's CCN, as well as the city's desire to seek an exception for Ft. Worth's military bases.

Next, the Committee received testimony from Rachel Hanes, testifying on behalf of the Greater Edwards Aquifer Alliance. Ms. Hanes testified on the Alliance's concerns on the impacts Senate Bill 2038 could have on water sources in South and Central Texas. Ms. Hanes acknowledged the importance of maintaining property rights in the ETJ but told the Committee those rights should be balanced with the health, safety, and quality of life concerns of residents' dependent on a region's water sources. Ms. Hanes suggested the Legislature could consider extending regulatory controls found in the ETJ statute to protect aquifer water supplies and consider allowing counties in the Edwards Aquifer Recharge Zone to regulate water quality and watershed protections.

The Committee received testimony next from Art Martinez, representing Bexar County Emergency Services District Association. Mr. Martinez testified that the benefits of Senate Bill 2038 have largely not been realized in San Antonio, due to the 15-mile exception for military bases. Mr. Martinez told the Committee that the lack of applicability of Senate Bill 2038's provisions in Bexar County is negatively impacting the ability of Bexar County emergency service districts to provide adequate fire and emergency services.

Next, the Committee received testimony from Ralph Rodriguez, representing Bexar County Emergency Service District 2. Mr. Rodriguez raised concerns that the City of San Antonio is approving the creation of public improvement districts (PID) with an understanding that the city will annex property located in the PID. Mr. Martinez testified that in some circumstances, the annexation of properties located in public improvement districts leads to discontinuity in emergency services provided to a property, caused by the shift of revenue to city.

The Committee received testimony next from Mark Montgomery, Assistant Fire Chief in Bexar County Emergency Service District 2. Mr. Montgomery described similar concerns stemming from the shift in tax base that occurs when the City of San Antonio annexes property located in the city's ETJ or unincorporated Bexar County. Mr. Montgomery indicated that the implications and uncertainty caused by potential future shift neighboring taxing unit's tax base makes long-term planning for the provision of services more difficult.

The Committee next received testimony from Gary Estep, representing Bexar County Emergency Service District 5. Mr. Estep testified that the City of San Antonio leverages regulatory control over

emergency service districts located in San Antonio's ETJ and seeks to dictate the types of equipment that Bexar County ESDs acquires and determine emergency service responsibilities.

The Committee questioned if Bexar County ESDs have automatic aide among the Bexar County ESDs, and Mr. Martinez indicated they have automatic aide with one another, do not have automatic aide with San Antonio Fire Department, but do have mutual aid with San Antonio Fire Department. The Committee questioned whether ESDs lose the commercial fire inspection fee revenue upon a property being annexed into city limits, and Mr. Martinez indicated they do lose the fee inspection revenue.

Next, the Committee received testimony from Zach Cannon, representing Downstream Real Estate Partners. Mr. Cannon testified that Downstream Partners have successfully removed multiple properties from multiples cities' ETJs, and that his company experienced positive outcomes using removal petitions. Mr. Cannon highlighted concerns that the special districts who utilized removal petitions were being impeded from issuing infrastructure bonds by the Office of the Attorney General, citing concerns stemming from ongoing litigation.

The Committee received testimony next from Art Rodriguez, representing Messer Fort, who delivered a letter from the firm's client cities that are litigating the constitutionality of Senate Bill 2038.

RECOMMENDATIONS

1. The 89th Legislature should consider passing legislation emphasizing cities may not pass resolutions to cancel or invalidate statutes enacted by the legislature, without a judicial ruling.
2. The 89th Legislature should consider repealing the extra-territorial jurisdiction, taking potential implications for landowners currently residing in an extra-territorial jurisdiction into consideration.
3. The 89th Legislature should consider ensuring all property owners affected by an ETJ removal effort receive adequate notice of the potential for ETJ status change and provide landowners who do not wish to be removed to exempt their property from a removal effort.
4. The 89th Legislature should consider eliminating statutory conflicts creating confusion for landowners seeking to connect utilities to land removed from a municipal ETJ that remains in a CCN.

Charge 3: Local Government Spending of Directly Distributed Federal Funds

Examine how local governments spend funds directly distributed to them by the federal government, such as Harris County's use of American Rescue Plan Act (ARPA) funds to set up a guaranteed-income pilot program. Make recommendations to ensure that the spending of such funds is transparent, accountable, and within the legitimate purposes for local governments under Texas law.

The Committee met on Thursday, September 5, 2024, to hear invited and public testimony on the Committee's charge on local government spending of directly distributed federal funds. The Committee took testimony from a total of ten witnesses, representing the views of municipalities, counties, local government auditors, as well as think tanks with both conservative and progressive leanings.

The Committee began by outlining concerns raised during the Legislative interim related to Harris County's "Uplift Harris" program, and discussed that the program had stalled, pending the outcome of litigation filed by the Texas OAG. The Committee discussed whether the Attorney General filed a response to the Committee's request for opinion regarding Harris Uplift, and the Chairman noted that the office declined to give an opinion and cited ongoing litigation in their response.

The Committee received testimony first from Tedd Holladay, Manager of the Federal Funds Analysis team for the Legislative Budget Board, who provided an overview of total amount of federal funds distributed directly to local governments in Texas, to the State of Texas, and to other entities in the state, such as institutions of higher education, small businesses, and health care providers, and non-profit organizations. Mr. Holladay provided the Committee with a summary of allocations made by the Coronavirus Preparedness and Response Supplemental Appropriations Act (CPRSAA) (March 2020), the Families First Coronavirus Response Act (FFCRA) (March 2020), the Coronavirus Aid, Relief, Economic, Security Act (CARES) (March 2020), the Paycheck Protection Program Health Care Enhancement (PPHCEA) (April 2020), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) (December 2020), and the American Rescue Plan Act (ARPA) (March 2021). A Summary of those distributions is outlined in the table below.

	CPRSAA (March 2020)	FFCRA (March 2020)	CARES (March 2020)	PPHCEA (April 2020)	CRRSA (December 2020)	ARPA (March 2021)	Total
Local Governments	\$8.7 (10.0%)	\$0.0 (0.0%)	\$4,883.7 (2.3%)	\$50.5 (7.7%)	\$458.8 (1.6%)	\$12,417.3 (11.9%)	\$17,814.9 (4.9%)
State of Texas	\$1.5 (1.7%)	\$11,633.5 (55.3%)	\$28,201.0 (13.5%)	\$0.0 (0.0%)	\$7,333.0 (26.1%)	\$36,195.9 (34.6%)	\$83,364.8 (22.9%)
Other	\$76.7 (88.3%)	\$9,404.4 (44.7%)	\$176,494.7 (84.2%)	\$608.8 (92.3%)	\$20,297.7 (72.3%)	\$56,063.5 (53.6%)	\$262,945.7 (72.2%)
Grand Total	\$86.9	\$21,037.8	\$209,579.3	\$659.3	\$28,085.4	\$104,676.7	\$364,125.4

*Source: Federal Funds Information for States (FFIS) and Legislative Budget Board
(In Millions)*

The Committee received testimony next from Bill Longley, General Council for the Texas Municipal League (TML) who provided an overview of federal funds distributed to municipalities, with a focus on funds distributed through ARPA. Mr. Longley told the committee that approximately \$65 Billion was distributed nationwide to municipalities through ARPA, which was allocated based on a population formula. Texas cities received \$4.8 Billion in total. \$3.4 Billion was directly distributed to seventy-five “entitlement cities”, cities with a population over 50,000. Total entitlement amounts range from \$607 million for the City of Houston to \$4.4 million for the City of Little Elm. In addition, nearly \$1.4 Billion was distributed to 1,145 non-“entitlement cities” by the State through the Texas Department of Emergency Management (TDEM). In total, seventy cities either declined funding, or failed to apply for funding, and received no federally distributed aid dollars.

Mr. Longley and the Committee discussed the authorized uses of federally distributed dollars under federal and state law, as well as rules and guidelines from the US Treasury. Mr. Longley told the Committee that municipalities could use federal dollars to respond to public health impacts from the Covid-19 pandemic, noting that cities were able to give funds to households, small businesses, and non-profits if Covid-19 impacts were identifiable. Mr. Longley and the committee discussed how cities used some federal funds to fund increased pay to essential workers, make improvements to water, wastewater, and broadband infrastructure. Mr. Longley also told the committee that the final Treasury rule allowed local governments to fund local government services to the extent of any revenue loss, with an imposed cap of \$10 million for those types of distributions.

Mr. Longley and the Committee discussed the constitutional legal considerations that arise in addition to Treasury rules for cities when they are contemplating expenditures of federal funds. Mr. Longley noted that generally there is a common law test to ensure compliance with the requirements of Art. 3, Sec. 52, Texas Constitution, arising from *Texas Municipal League Intergovernmental Risk Pool v. Texas Workers Compensation Commission (2002)*. Generally, before making what could be considered a gift or a donation, a city council must determine (1) that the conveyance will serve a predominantly public purpose, (2) that the city will retain sufficient control to ensure that the public purpose is carried out, and (3) that the city would receive some return benefit.

The Committee questioned whether a direct financial assistance program whereby participants are selected by random lottery, would meet those standards, and asked Mr. Longley if any direct assistance programs implemented by municipalities included a lottery selection component. Mr. Longley was not aware of any municipal programs that included a lottery selection process for participants. The Committee and Mr. Longley discussed programs implemented by cities that provide direct assistance to individuals for food, housing, and childcare. The Committee questioned whether assistance programs that are oversubscribed, are unable to serve all applicants, and necessarily implement selection processes for applicants might be deemed a lottery.

The Committee and Mr. Longley discussed the economic development provisions of Art. 3, Sec. 52-a, Texas Constitution. Mr. Longley confirmed that programs created for economic development purpose memorialize their public purposes in resolutions adopted by the local government’s governing body. The Committee questioned the frequency with which legal challenges are brought, challenging the validity of the public purposes adopted by a governing body. Mr. Longley noted there is an extensive case law, and that the courts are generally reluctant to overturn the public purpose findings adopted by a governing body, unless the public purpose findings are arbitrary and capricious.

Mr. Longley described the various transparency and reporting requirements for each of the federal Treasury programs. Within ARPA, metropolitan cities were required to file an initial interim report in 2021, all recipients must file a project and expenditure report (submitted quarterly for larger cities), and a recovery plan report for cities with a population above 250,000. Mr. Longley noted that some cities have created websites dedicated to tracking the receipt and expenditure of these federal funds. Federal assistance dollars for these programs are required to be allocated by the end of 2024 and must be spent by the end of 2026. Mr. Longley reported that the most recent reporting period from the U.S. Treasury indicated approximately 70% of received funds were allocated through the end of 2023.

Mr. Longley finished by answering the Committee's questions on the possibility of the arbitrary and capricious standard being overridden by a legislative finding adopted by a governing body. Mr. Longley indicated that the standard in a constitutional standard and could not be overridden by the findings of a governing body but noted that the majority of the case law focuses on the nature of a public purpose.

The Committee next heard from Adam Haynes, representing the Conference of Urban Counties, who provided the committee with a summary of the federal funds received by the state's urban counties, and the amount of those funds that have been allocated. Mr. Haynes indicated that 98.9% of the funds received from the CARES Act had been allocated by their county recipients. A summary of funds received by the urban counties is available in Appendix A of this report. Mr. Haynes told the committee that the vast majority of funds received by counties have been spent on expanding hospitals and county jails, servicing county roads, and acquiring county and sheriff's vehicles.

Mr. Haynes and the Committee discussed the transparency and reporting requirements imposed by state law related to the allocation and expenditure of federal funds. Specifically, the County Procurement Act sealed the competitive bidding requirements, and the Open Meetings Act apply to the allocation and expenditure of federal funds. Mr. Haynes told the Committee that County Commissioner's Courts are required under these laws to have three public hearings before expending federal assistance dollars.

The Committee questioned Mr. Haynes on his awareness of county governments using federal assistance dollars to administer a guaranteed income program or using a lottery selection process to select assistance program participants. Mr. Haynes testified that he believed Harris County was the only county that attempted to implement such a program. Mr. Haynes noted that Harris County was in the process of attempting to address concerns related to Harris Uplift, which were raised by the state in its litigation. Mr. Haynes finished by noting that, to date, no federal dollars had been expended in the Harris Uplift program.

Next, the Committee heard from Julie Kiley, Williamson County Auditor, representing the Texas Association of County Auditors. Ms. Kiley told the Committee that Williamson County received a total of \$93.4 million in CARES Act funding and \$114.7 million in ARPA funding. Ms. Kiley indicated that the majority of CARES Act funding was spent on personal protective equipment in Williamson County, but that almost half was spent on small business assistance. She noted the way Williamson County managed its small business assistance program was on a first-come-first-serve basis, but found that the county's program was ultimately undersubscribed, and adequately funded. Williamson County began using excess funds for a rental and utility assistance program, which were also ultimately undersubscribed.

Mrs. Kiley indicated that Williamson County had approximately \$800,000 remaining to allocate through the end of 2024.

Ms. Kiley testified that Williamson County obligated approximately \$75.3 million (65%) of their received ARPA funds to water infrastructure projects in the county, and approximately \$22 million on the expansion of public and private mental health facilities in the county. Ms. Kiley noted that Williamson County spent very little of its ARPA funding creating staff positions, and the positions that were funded using ARPA dollars were used to address the backlog of court cases in Williamson County, resulting from Covid-19. Ms. Kiley reported that the backlog in Williamson County criminal courts resulting from the pandemic have been completely eliminated.

Ms. Kiley testified that Williamson County formed an oversight committee, composed of the County Auditor, County Treasurer, and two County Commissioners, to ensure that the county's allocation and expenditure of federal assistance dollars complies with federal and state law. Ms. Kiley also noted that US Treasury rule requires that funds allocated by these federal programs are required to be audited by third party audit funds. The Committee questioned Ms. Kiley on her capability to audit an assistance program for which there are "no strings attached." Ms. Kiley acknowledged auditing such a program would be exceedingly difficult and stated that Williamson County would not approve such a program, because Williamson County requires program guidelines that can be audited against.

The Committee asked Ms. Kiley if she was aware of any participants in Williamson County's Small Business Assistance Program that were turned away, or who received less funding than requested, as a result of lack of funding in the program. Ms. Kiley stated that Williamson County's program was fully funded for its needs, and that each of the participants received the requested amount of funds.

The Committee also asked Ms. Kiley if any of the assistance programs initiated by Williamson County offered direct cash assistance; she indicated that the rental and utility assistance programs provided direct cash assistance. The Committee and Ms. Kiley discussed the requirements of those programs, as well as other cash assistance programs, like veterans' assistance programs funded by Community Development Block Grant (CDBG) programs. Ms. Kiley described that each of the programs include eligibility standards (e.g., prior employment, current income, rent or utility costs) that can be audited against, and that for each of the programs, the direct cash assistance payments are made directly to a vendor (e.g. individual's landlord or utility company). The Committee concluded by asking Ms. Kiley if the small business, rent, or utility assistance programs administered by Williamson County were underfunded, and if any program applicants did not receive assistance; Ms. Kiley stated that each of the programs were adequately funded, and that no program applicants were denied assistance.

The Committee next heard from Charles Blaine, testifying on behalf of the Urban Reform Institute, who testified on the Harris Uplift Program. Mr. Blaine testified that the Harris Uplift Program is designed to deliver monthly \$500 direct cash payments to 1,928 families within ten specific zip codes in Harris County and would cost approximately \$21 million. Mr. Blaine noted that under the program's structure, low-income families residing outside of these ten zip codes would likely not qualify for payments.

Mr. Blaine and the Committee discussed the results of a recently released study by Open Research, "Unconditional Cash Study," which tracked the results of providing 3,000 low-income families \$1,000 per month in unconditional cash payments for three years. Mr. Blaine told the Committee the

study found that the participants' average income declined about \$1,500 per year, workforce participation declined 2 percent, average weekly work hour declined 1.3 hours, and average unemployment increased 1.1 months. Mr. Blaine told the Committee the study found, when excluding program income dollars, that participant household income declined \$.21 for every program dollar received. Mr. Blaine noted the only positive metric highlighted in the study found that program participants experienced an increased amount of leisure time. Mr. Blaine testified that there were a number of other ways that Harris County could have elected to use ARPA funding, citing examples of other local governments utilizing funds to offset revenue losses attributable to the pandemic, by reducing tax rates or fee structures or waiving fees.

Mr. Blaine highlighted a number of other ways that federal assistance dollars were used by Harris County and the City of Houston. Mr. Blaine told the Committee that the City of Houston spent \$985,000 on gun buy-backs and Harris County spent \$1.1 million on gun buy-backs. Harris County transferred \$8 million of federal aid dollars to the Harris County Opportunity Fund, administered by the Harris County Office of Equity. The Committee and Mr. Blaine discussed the potential size of a countywide program, considering the initially proposed program cost \$27 million and covered only ten zip codes. Mr. Blaine and the Committee also discussed that without ongoing federal revenue streams to cover the cost of the proposed program, the County would likely fund a proposed program using property tax revenues. The Committee and Mr. Blaine noted there are currently seventy other assistance programs in Harris County that provide cash assistance for specific costs, which the county could have alternatively funded.

The Committee and Mr. Blaine discussed that the Harris County Commissioners Court adopted the policy and whether the Commissioners Court represented the will of the people in passing the proposed Harris Uplift program. Mr. Blaine indicated that the Commissioners Court held public meetings and the majority of public testimony taken was opposed to the implementation of a program.

The Committee discussed findings in the Open Research study, which increased participants' financial security and housing stability, and that participants increased spending to meet their basic needs and to help family and friends. Mr. Blaine noted that the beneficial findings represent the moment in time when unconditional cash benefits were being received, noting that many participants moved to more expensive housing that they could no longer afford when the benefits were no longer provided.

The Committee noted press coverage of other studies that indicated the provision of cash benefits reduced emergency room visits, and discussed whether direct cash assistance met the requirements of the constitutional three prong test in these contexts. The Committee also discussed whether there was a difference between unrestricted cash supports and the unrestricted benefits realized through tax exemptions or economic development agreements. Mr. Blaine noted that economic development agreements typically require parties to adhere to specific terms (e.g., capital investment and job number requirements).

Next, the Committee received testimony from Russell Withers, representing the Texas Conservative Coalition Research Institute. Mr. Withers provided an overview of the Coronavirus State and Local Fiscal Recovery Funds (LFR Funds), their permissible uses and purposes. Mr. Withers indicated the primary purpose of the LFR funds was to backfill lost local revenue attributable to economic downturn from the pandemic, noting the broad permissible uses under Treasury rule.

Mr. Withers also provided an overview of the permissible use of LFR funds under state law, providing examples of programs for which he questioned the legitimacy of the expenditure. Mr. Withers raised concerns about the City of Houston's gun buyback program and Harris Uplift. Specifically, Mr. Withers questioned the extent to which Houston's gun buyback program was related to public health costs incurred from the pandemic. The Committee and Mr. Withers discussed the efficacy of gun buyback programs; the committee noted that there was a marked increase in suicides and suicide attempts during the Covid pandemic and questioned if a gun buyback program could reduce suicide attempts. Mr. Withers testified there are studies indicating gun buyback programs are relatively ineffective at reducing suicide rates.

Mr. Withers noted that Harris Uplift could be compared to a universal basic income program, which could be compared to a negative income tax. Mr. Withers raised concerns that over time, preferences could consolidate proposed social safety net programs to a singular universal basic income program, and raised further concerns that such hypothetical programs would necessarily rely on the responsibility of individual elected officials to not hand out gifts. Mr. Withers suggested that the state could benefit from a statewide audit of local governments' use of these funds.

The Committee questioned Mr. Withers on whether his organization's recommendation to preempt local governments from creating gun buyback programs conflicts with a philosophy that government closest to the people is best for the people. Mr. Withers noted the state's government created local governments and retains the power to grant authorities to local governments. The Committee questioned whether a local government is better positioned to make certain public policy decisions on behalf of its community, after hearing directly from local constituents. Mr. Withers replied the state should move to preempt a local policy if the state determines that the local policy causes more harm than good.

The Committee next took testimony from Joel Griffith, testifying on behalf of the Heritage Foundation. Mr. Griffith told the Committee that ARPA specifies four allowable uses of received federal funds, and that universal basic income programs could only potentially qualify under Section 602(a), which allows for local governments to expend federal dollars "to respond to Covid-19 or its negative economic impacts." Mr. Griffith pointed out that communities in Texas are no longer experiencing negative economic impacts from Covid-19 and that employment levels in Texas cities have rebounded to pre-Covid level, and questioned if Harris Uplift payments meet federal qualifications.

Mr. Griffith provided the Committee with a projection of potential incurred costs for a scaled back universal basic income program in Austin metropolitan area. Using a \$500 per month subsidy for any family earning less than the median family income, approximated at 423,000 qualifying households, the projected estimated cost approaches \$2.5 Billion annually. The Committee raised concerns that local governments simply do not have the budget capacities to appropriately fund programs of this scale.

Mr. Griffith and the Committee discussed the differences between the federal government and state government passing top-down guidelines or contingencies to local governments. The Committee asked Mr. Griffith about whether the federal and state governments should have unitary executive authority over local governments. Mr. Griffith told the Committee he believes that Congress is constitutionally limited to act on items listed in the constitution, and that all other powers are delegated

to the states, and that the State of Texas' constitution vests significant authorities in the state to ensure that local governments are managed appropriately.

Next, the Committee received testimony from Sammy Cervantez, testifying on behalf of Every Texan. Mr. Cervantez testified that guaranteed income programs provide low-income families the ability to afford basic needs, such as groceries, housing, and healthcare. Mr. Cervantez compared guaranteed income programs to negative income tax rate proposals, highlighting a program in Alaska that returns oil and mineral production profits to Alaska residents. Mr. Cervantez pointed out that a truly universal income program has not been implemented, and that each implemented local program in the United States is a pilot program. Mr. Cervantez testified 2 in 5 Texans, approximately 4.6 million, currently struggle to meet financial needs.

The Committee asked Mr. Cervantez if he was aware of any other local governments in the United States utilizing a lottery selection process to select universal basic income program participants. Mr. Cervantez testified that the City of Rochester's (New York) program utilized a lottery-based selection process. The Committee questioned Mr. Cervantez on the relative benefit to an individual or family of a universal basic income cash payment compared to the benefit offered by an increased homestead exemption amount. Mr. Cervantez agreed that a flat dollar homestead exemption increase assisted many low-income Texans in being able to afford housing, but that Texas renters do not benefit directly from an increase in the homestead exemption. The Committee noted that there is a fundamental difference between individuals keeping their money and using it and governments giving out money after collecting it.

The Committee next heard from Brian Sikma, representing the Foundation for Government Accountability. Mr. Sikma testified that guaranteed income programs scale up and magnify individual crises, rather than addressing the cause of an individual crisis. Mr. Sikma cited a Stanford University study which reviewed thirty guaranteed income programs with 8,500 participants. The study found that 9% of total funds were spent on housing, 2% of funds spent on healthcare, and less than 1% of funds were spent on education opportunities. The study also found that the largest category of spending was retail services, followed by vacation expenses incurred by program participants.

Mr. Sikma testified that guaranteed income programs are flawed, regardless of who is receiving a guaranteed income benefit, because the program takes money from people who earn it and redistributes it, without giving individuals an opportunity to identify what they could do differently to allow them to move beyond problems that foster ongoing poverty. Mr. Sikma noted that four states have implemented bans on universal basic income programs – Arkansas, Idaho, Iowa, and South Dakota. Mr. Sikma also highlighted that the cities of Austin, El Paso, San Antonio, and El Paso, as well as Harris County have implemented our sought to implement a guaranteed income program. Mr. Sikma indicated that the Foundation's review of these Texas programs found no realizable long-term benefits for program participants.

The Committee next heard from James Quintero, representing the Texas Public Policy Foundation. Mr. Quintero testified that advocates for guaranteed income programs have built an impressive pilot program infrastructure during the Covid-19 pandemic, throughout the United States and primarily through local government units.

Mr. Quintero noted that there was substantial variability to the structures and requirements of these local programs, but that the programs could be broken down into four primary categories: (1) conditional cash transfer, (2) unconditional cash transfer, (3) universal basic income, and (4) guaranteed basic income. Mr. Quintero testified that Texas local governments have preferred implementing guaranteed income programs, which provide cash supports to select, qualified households, rather than universal income programs, which provide cash supports universally, and cash transfer programs, which generally provide support to individuals rather than households.

Mr. Quintero raised concerns that the majority of guaranteed and universal income programs begin with funding from the federal government or private donors, and shift to local government funding streams over time. Mr. Quintero concluded by citing two studies published by the National Economic Research Bureau published in August 2024, which focused on labor and income outcomes of universal income programs; both studies found while there are measurable short term benefits for program participants, the benefits decline over time and participants often are in worse net positions over a longer period.

RECOMMENDATIONS:

1. The 89th Legislature should pass legislation prohibiting local governments from implementing unrestricted cash transfer programs.
2. The Legislature should ensure that appropriate transparency and audit controls are applied to public assistance programs, to ensure public assistance programs do not violate constitutional gift clause prohibitions.

Charge 4: Housing Affordability

Study issues related to housing, including housing supply, homelessness, and methods of providing and financing affordable housing. Make recommendations to reduce regulatory barriers, strengthen property rights, and improve transparency and accountability in public programs for housing.

The Committee met on Thursday, November 7, 2024, to hear invited and public testimony on the Committee's charge on housing affordability. The Committee took testimony from a total of thirty-five invited and public witnesses, representing a myriad of consumer, business, and community interests.

The Committee began by hearing testimony from Glenn Hegar, Texas Comptroller of Public Accounts, whose office has examined housing affordability throughout his administration, and published a report, *The Housing Affordability Challenge (August 2024)*, covering recent affordability trends in Texas.

Comptroller Hegar testified that in the State's annual credit rating meetings, Comptroller's staff historically touted the Texas' supply of affordable housing stock as one of the state's major economic advantages; Comptroller Hegar warned, however, those affordability metrics have been eroding in recent years, following the pandemic. Comptroller Hegar told the Committee his office was still acknowledging that Texas is still more affordable than other parts of the nation, but the state is not as affordable as we have been in the past.

Comptroller Hegar noted for the Committee that housing affordability measures nationwide have hit their lowest levels in 40 years, and reminded the Committee housing costs comprise the largest portion of household budgets in Texas. Comptroller Hegar estimated 34 percent of Texas households were cost burdened in 2022 because they were spending more than 30% of their annual budget on housing costs. He noted that home prices have increased in Texas, especially in smaller cities. Comptroller Hegar reported that families making the median family income in McAllen, Brownsville, and El Paso were unable to afford a median price home in 2023.

Comptroller Hegar outlined the recent historical economic factors that are contributing to the nation's housing shortage. He noted that the United States experienced a dramatic decrease in levels of new home construction following the 2008 financial crisis, noting multiple states experienced sharp declines in the number of building permits issued, following 2008. Comptroller Hegar told the Committee new building permits fell in Texas from 216,000 in 2006 to only 84,000 in 2009, a 61 percent decline, and it was not until 2021 that Texas issued more permits than it issued in 2006.

Comptroller Hegar told the Committee that compared to other states, Texas experienced a smaller decline in building permits during the financial crisis and experienced a more robust recovery following the crisis. He testified that among states with the highest number of building permits in the United States in 2023, Texas was the only state to increase building permits beyond their pre-financial crisis levels.

Comptroller Hegar discussed the effects in housing markets caused by the Covid-19 pandemic. Driven by a rise in remote work opportunities, federal stimulus measures, increases in personal saving levels, and increased migration from other states, Texas faced a shortage of 320,000 homes in 2022. He

noted these economic conditions had significant impacts on lower and middle-income Texan households. Comptroller Hegar pointed out that the surge in Texas housing demand coincided with Texas experiencing the largest population growth in the United State between 2020 and 2023. He noted that the DFW-Arlington region experienced the largest increases in gains from net migration of any U.S. metropolitan region, highlighting that more people were choosing to relocate to Texas, than anywhere else in the United States.

Comptroller Hegar testified that the same dynamics affecting Texas homebuyers are affecting Texas renters, noting the same dynamics of increased demand and limited supply that have pushed housing prices higher are also increasing rents. Additionally, he explained that as the number of Texans are unable to afford home increases, the number of renters in the market increased. He further explained that increased competition in the rental market negatively impacts low-income Texans struggling to keep up with adequate housing supply within their reach. Comptroller Hegar testified that recent trends have stabilized median home prices and rents; however, affordable housing remains a significant challenge to many working Texans and may be for some time to come. He told the Committee long-term mortgage rates and overall home price levels appear to be the new normal.

Comptroller Hegar testified that Texans who already own a home are facing increasing holding costs associated with owning property. Comptroller Hegar and the Committee discussed that homeowner insurance premiums have increased 33 percent since 2015 in Texas. The Committee noted that in some instances, the increase in the price of homeowners insurance premiums outstripped the reduction in homestead tax bills provided by Senate Bill 2, 88(2).

The Committee noted that a few insurance carriers have recently pulled out of the Texas marketplace. The Committee provided a personal example of losing insurance coverage from the exit of an insurance carrier and reported that upon re-shopping the policy, the policy premium increased quotes in the market to 400-600 percent. The Committee and Comptroller Hegar discussed that much of the increase in insurance premiums correlates to higher replacement costs resulting from inflationary pressures. The Committee emphasized the importance of maintaining a healthy and robust insurance market throughout the State.

Comptroller Hegar also noted that property taxes remain a concern for homeowners and homebuyers in Texas, even though the Legislature has made significant efforts to reduce the burden of property taxes on homeowners, highlighting additional tax rate compression and recent increases to the residence homestead exemption. The Committee also discussed that many homeowners escrow property taxes, along with homeowners' insurance premiums, never realized property tax reductions in escrow maintenance becomes offset by insurance premium increases. The Comptroller and the Committee were in agreement that SB 2, 88(2) substantially helped make housing more affordable in Texas.

Comptroller Hegar briefly highlighted the levels of institutional ownership of residential property. He told the Committee his office found that institutional investors accounted for 28 percent of residential sales in 2022, the largest of a state and more than double the national rate for residential sales. He noted other data indicates that investor purchases peaked in 2020 around 20 percent, and explained the discrepancy in data results likely stems from a lack of clarity in the definition used for institutional investor. By way of example, Comptroller Hegar pointed out that some definitions may include individual owners holding properties in LLCs, or other types of LLC ownership structure.

Comptroller Hegar also discussed over regulation of building and construction industries and the slow pace of building permit processes and how they contribute to housing shortages. He again highlighted that Texas is the top state in the country in number of new private residential permits issued since 2008, exceeding California and Florida, but noted that housing affordability remains a challenge for low and middle-income Texans. He highlighted that the Legislature has recently undertaken efforts seeking to streamline the building permit process and reduce burdensome regulations on the building industry.

The Committee and Comptroller Hegar discussed some specific types of regulations that hinder the construction of affordable housing units. Comptroller Hegar and the Committee discussed if municipal regulation of the size of residential lots, residential buildings, number of HVAC units per household, or number of garage spaces per household could hinder the construction of certain types of housing. Comptroller Hegar emphasized that these types of policies impact low and middle-income Texans by hindering more affordable types of housing from being constructed.

The Committee and Comptroller Hegar discussed housing inventory and median home price trends. The Committee noted very recent marginal declines in median home value, highlighting that following historical rates of inflationary growth, there is likely to be pull back in certain parts of the State. Comptroller Hegar acknowledged that there would likely be some marginal decline in segments of the market, but that prices may not set significantly lower as the state continues to experience high rates of net migration. The Committee and Comptroller Hegar also discussed correlations between months of housing inventory, interests' rates, and median home prices.

The Committee and Comptroller Hegar discussed the various factors that go into determining specific supply and demand measurements. Comptroller Hegar indicated a myriad of factors are considered when determining supply and demand levels in the housing market, including number of construction permits, real estate inventory levels, number of buyers in a real estate market, amount of time properties list in the market, and potential number of buyers per real estate transaction. Comptroller Hegar emphasized that under heavy net positive migration conditions, it is typical for an increasing number of buyers to compete to purchase a limited supply of any asset class.

The Committee questioned Comptroller Hegar on the amount of state funds allocated to creating more affordable housing stock in Texas. Comptroller Hegar indicated there are a few targeted programs, but not a significant number of programs overall that specifically address the creation of affordable housing stock. The Committee and Comptroller Hegar discussed that the lion's share of affordable housing programs is administered by the federal government and local governments. The Committee and Comptroller Hegar highlighted the land and home loan program administered by the Veteran's Land Board at the Texas General Land Office.

The Committee questioned Comptroller Hegar if he was aware of any mechanism to make state owned dirt, specifically dirt located in urban areas, available for the creation of affordable housing stock. The Committee discussed whether the state could benefit from leasing certain land parcels to create affordable housing stock co-located with government services offices.

Next, the Committee received testimony from Dr. Daniel Oney, Research Director at the Texas A&M Real Estate Center. Dr. Oney emphasized to the Committee that Texas' housing affordability problem occurred very quickly, with the majority of housing price increases occurring over 18 months in

2020 and 2021. Dr. Oney also testified that sales prices in Texas have increased faster than rental rates, reflecting different supply and demand dynamics for the different types of products. Dr. Oney testified that recent trends have leveled off the increase trends, noting that prices remain, however, at historic highs.

Dr. Oney indicated that housing and rental stocks were generally more expensive in all legs of the Texas housing market, but that low and middle-income Texans, as well as younger Texans, experienced harder hits to income resulting from macroeconomic trends and changes in the mix of housing supply.

Dr. Oney highlighted some of factors affecting demand for housing stock in Texas. He discussed Covid lockdown policies spurred an increased demand for more space to work from home and for livability; he discussed how dramatically lowered interest rates coupled with federal stimulus dollars led to more dollars chasing fewer houses on the market; he also discussed that positive net migration rates were not limited to specific geographic areas of Texas, but occurred statewide.

Dr. Oney then discussed some of the factors affecting the supply of housing stock in Texas. Dr. Oney pointed out that many individual laborers left the labor market following Covid lockdown policies. The decline in labor spurred increases in costs of materials; he told the Committee that commodity prices for homebuilding inputs increased 43 percent during the Covid pandemic and have not meaningfully decreased.

Dr. Oney provided historical data context to housing affordability measures in Texas over time. Dr. Oney noted that average home values have increased approximately 41 percent over 5 years but has recently leveled off; he noted that single family rental rates increased 28 percent and multifamily rental rates increased seventeen percent over the same 5-year period. The Committee and Dr. Oney discussed the discrepancy in cost increases between homes and rental properties, noting that while they are traditionally considered economic substitutes, the supply and demand factors for each category are distinctly different from one geographic region to the next.

Dr. Oney also provided a timeline of the Texas Housing Affordability Index; he and the Committee discussed the index peaked in 2012-2013 at 2.23 and has declined to 1.11 in 2024. The Committee discussed the index reflects two distinct periods – one when housing was plentiful and cheap, and another following the Covid pandemic.

Dr. Oney provided the Committee with a five-year lookback of median monthly payments across different demographic groups for homes in Texas, factoring median household income, median property value, interest rate, and median monthly payment. Overall, median monthly payments increased from \$1,293 in 2019 to \$2,187 in 2023, or 69.1 percent. For Texans aged 24-35, monthly payments before taxes and insurance increased from \$1,186 to \$2,060, or 73.7%. Dr. Oney highlighted to the Committee that housing affordability income gaps are highest in younger age cohorts of the population.

Comparing Texas to the rest of the United States, Dr. Oney testified that Texas ranks 18th in the country for annual compounded price increases over the past 10 years, increasing approximately 7.7 percent per year. Dr. Oney pointed out Texas still ranks in the bottom half (30th) of the country in single family median home price at \$348,000.

Highlighting recent housing trends, Dr. Oney testified that Texas housing sales in 2024 tracked the 10-year average until May 2024, when they declined below average historical levels. Dr. Oney indicated many buyers and sellers postponed purchases and sales in the later half of 2024 due to the Presidential election and market uncertainty. Dr. Oney indicated that Texas median home prices are still running above the 10-year historical average. Dr. Oney also indicated that approximately 328,000 homes are expected to sell in Texas in 2024, tracking 2023 sales volume, and down from 2018-2022 levels. Dr. Oney highlighted that approximately 23% of existing homes are transacting below \$250,000, but pointed out that only 5 percent of new homes are closing for less than \$250,000, and only 18 percent closing for less than \$300,000. Dr. Oney indicated that Texas permit levels are increasing from 2023 levels, with 161,000 permits issued for single family units issued in 2024. Dr. Oney also indicated a recent spike in the percent change of real estate listings year over year, up 18.7 percent in 2024 from 2023.

Dr. Oney indicated that changes in economic conditions from covid have rebalanced equilibrium inventory conditions in the housing market; 6 months of housing inventory indicated a balanced housing market prior to the Covid pandemic, and 4-5 months of housing inventory indicates a balanced housing market following the Covid pandemic. Dr. Oney went on to explain Texas has inventory levels below the statewide average of 5 months for all housing priced below \$400,000 and how this creates additional economic pressures for low- and middle-income Texans.

Dr. Oney then provided the Committee with recent population growth statistics, and provided geographical context around where population growth is occurring in Texas. Dr. Oney testified approximately 474,000 new Texans moved to the state between July 1, 2022, and July 1, 2023. Approximately 86 percent of the population growth occurred in the DFW, Houston, Austin, and San Antonio metropolitan statistical areas (MSAs), approximately 21 percent occurred in twenty-one smaller MSAs, and approximately 1% of the population growth occurred in non-metropolitan areas.

Dr. Oney highlighted these changes in the mix of homebuyers, contributes to changes in affordability levels throughout the market. He explained that Texans moving to the state from other states are on-average, bringing higher incomes to compete for housing. Dr. Oney also explained that fewer households with two adults and children comprise a share of the market, with “traditional” households comprising 27.1% of the market in 2000 and 22.8% of the market in 2023. He estimated that Texas would have about 480,000 more “traditional” households if household mix trends continued from the 2000 levels.

Dr. Oney provided the Committee with historical context of housing permit trends in various geographical regions Texas. He noted that construction permitting declined in most of the urban counties from the three years preceding Covid to the years following Covid, while construction permitting has increased in the counties surrounding urban counties.

Dr. Oney highlighted that inflation trends have been slowing but remain above historic levels. The most recent inflation estimates for shelter remain at 3.9%, above core inflation rates of 2.6%, and above the historical average of 2.4%. Dr. Oney explained that much of the inflation in housing is attributable to the increase in the costs of constructing single family homes, up 43 percent over 5 years. The Committee and Dr. Oney discussed how those costs are effectively baked into the economy, absent a recession.

The Committee asked Dr. Oney if \$300,000 was the effectively the price of a new starter home in Texas, and if the size of new individual single-family homes provided in the market fluctuated over time. Dr. Oney indicated that builders typically reduce the amount of square footage per build when home prices or interest rates appreciate, and that the types of products delivered in the market fluctuates over time, based on economic conditions. The Committee and Dr. Oney discussed that many Texans wish to live in “non-traditional” homes, but that some cities regulate and restrict “non-traditional” housing from being constructed. The Committee asked Dr. Oney about permit data indicating new construction activity compared to rebuilding construction activity. Dr. Oney indicated one would need to assess local permit data by jurisdiction to make a determination, but that he was unaware of any such analysis. The Committee noted that remodel and rebuilding construction activity does not add any new housing stock to the market.

The Committee asked Dr. Oney if the infusion of federal ARPA dollars impacted the market for multi-family properties, noting that privately funded construction of multifamily property slowed during the Covid pandemic while private sector affordable housing projects moved forward because of the inclusion of ARPA dollars in individual projects. Dr. Oney indicated he was not currently taking any studies related to ARPA dollars and the creation of multi-family housing stock. The Committee and Dr. Oney discussed the correlation between increased dirt costs, increased construction costs, high cap rate expectations in urban areas, and the lack of construction of affordable multi-family housing. Dr. Oney and the Committee discussed that absent a change in market conditions, regulatory changes could entice the market to construct more affordable types of housing.

The Committee next heard from Scott Norman, CEO of the Texas Association of Builders. Mr. Norman discussed issues affecting housing inventories, noting that Texas is approximately 300,000 units short of the supply needed. Mr. Norman noted that the supply problem exists at all price points in the market, but primarily affects entry level price points, and subsequently affect first-time homebuyers and members of the workforce.

Mr. Norman and the Committee noted that in most metropolitan areas throughout the state, new inventory within miles of the city limit sells for a minimum of \$300,000. Mr. Norman explained that the majority of the cost of housing correlates to increased land costs, including the costs associated with preparing dirt for development, such as road and utility permitting and construction costs. Mr. Norman also highlighted that many Texas cities currently enforce minimum lot size standards for specific types of housing, which increase the amount and cost of dirt required to construct housing projects; he pointed out that housing stock levels increase with the amount of housing that can be built per acre of dirt. Mr. Norman explained that counties are restricted in statute from restricting minimum lot sizes, but that some counties are currently avoiding the law by setting lot frontage requirements.

Mr. Norman discussed the effects of inflation on housing affordability metrics generally. Mr. Norman explained that the average cost of materials to construct a median value home in Texas has increased approximately \$30,000 since the beginning of the Covid pandemic. He also explained that increased property tax and insurance premium costs add to the cost of constructing new homes. Mr. Norman discussed the effects of impact fees imposed by cities and counties on the cost of constructing new housing stock; he and the Committee discussed the need for more transparent fee schedule adoption processes. The Committee discussed that some cities are using impact fees as a way to increase taxing unit revenue following Voter-Approval Tax Rate reforms in 2019.

Mr. Norman and the Committee discussed various ways in which local governments interfere with the development of new housing. Mr. Norman discussed that some cities are still delaying the issuance of construction permits, but that efforts to utilize and work through third-party inspectors were providing positive impacts to the construction process. Mr. Norman also indicated that some cities are willfully delaying construction timelines in an effort to limit the types of housing products delivered in their communities. Mr. Norman estimated, on average, 25 percent of the total cost of a home is represented by regulatory costs; of that 25 percent, two-thirds are incurred during the development phase, and one-third is incurred during the building phase. Mr. Norman and the Committee discussed various methods cities employ to control the type and price point of housing product delivered by builders; Mr. Norman told the Committee the tactics were most often employed by suburban cities.

The Committee asked Mr. Norman if the creation of state land-banks might contribute to increased affordable housing stock. Mr. Norman made clear that the building industry supports incentives, but not mandates. He indicated that there were builders in the market who would make use of a state land bank program if one were created. Mr. Norman recalled a program in which the City of San Antonio sold land owned by the city to builders, with a contingency that constructed housing would be sold at a certain price point.

The Committee asked Mr. Norman what steps the state could take to encourage development in the middle and lower segments of the housing market. Mr. Norman indicated that the state should continue to explore methods of lifting local regulation on the construction industry, highlighting recent legislative efforts to restrict local governments from imposing product mandates, extra-territorial jurisdiction reform, shot clock reform, and third-party development review.

Mr. Norman highlighted the benefits his industry has experienced using the Municipal Utility District (MUD) development model. He highlighted that much of the growth in Texas has been in municipal ETJs and unincorporated parts of counties, and that the legislature has restricted cities' ability to annex and grow geographically. Mr. Norman testified that MUDs are currently the most efficient way to install utilities, and pointed out that MUD taxes are really a user tax, and that taxpayers receive utility service provided by the utility infrastructure paid for by MUD taxes. The Committee discussed development issues arising in the unincorporated county, noting an absent central water system, development occurring on one-acre septic systems, and increasing the amount of dirt required to build a single unit of housing.

The Committee received testimony next from Trey Lary, representing Allen Boone Humphries Robinson LLP, who provided an overview of issues arising in the development of single-family communities in special districts. Mr. Lary reported that approximately 78% of new homes constructed in the Houston region are being constructed in MUDs. Mr. Lary and the Committee discussed whether provided utility service was delivered more efficiently by cities or by MUDs. Mr. Lary pointed to findings indicating approximately 50 percent of MUD residents in Harris County received utility service at a lower cost relative to receiving utility service from the City of Houston.

Mr. Lary explained that the growth in the number of special districts correlates to growing populations in Texas, and MUDs are an infrastructure delivery mechanism that provide high quality water and wastewater systems in Texas' growing region. Mr. Lary testified that the administrative method for creating special districts at TCEQ provides a needed mechanism to address infrastructure needs when the legislature is not in session.

Mr. Lary also cautioned the Committee on allowing cities and counties greater input in the TCEQ creation process; he highlighted that the number of city and county petitions opposing MUD creations has increased dramatically since 2021. Mr. Lary provided an example where a County Commissioners Court raised concerns of a MUD's creation causing increased numbers of stray dogs and cats and requested the MUD developer make a donation to the county's animal shelter in exchange for support of the district's creation. Mr. Lary also explained that some cities and counties are delaying the development of districts by forcing an appeals process through the State Office of Administrative Hearings, knowing the procedures can delay development for up to two years.

The Committee heard testimony next from Stephanie Matthews, representing Texans for Reasonable Solutions. Mrs. Matthews testified that Texas currently has the second highest shortage of housing stock in the United States. Mrs. Matthews highlighted that housing supply is at the crux of the housing affordability problem. She provided data from UCLA indicating that rent rates decline following the construction of new rental units, and that gentrification levels decrease in geographical regions where new rental units are constructed.

Mrs. Matthews indicated her organization is focused on reducing the regulatory cost burdens associated with developing new housing units. She testified that reducing regulatory burdens would entice free-market solutions to a supply constrained problem. Specifically, Mrs. Matthews testified that lot-size ordinances imposed by cities restrict certain types of housing stock from being built. She suggested pre-empting these lot-size ordinances for raw, unoccupied land could create additional housing stock and reduce inflationary pressures in the market. The Committee asked Mrs. Matthews if any cities were more relaxed on building restrictions if a builder agrees to build for a certain type of customer (i.e., age restricted); she indicated she was not aware of cities seeking to impose those specific types of standards.

The Committee received testimony next from Jody Proler, Chairman of the Houston Housing Authority. Mr. Proler provided an overview of the Houston Housing Authority's affordable housing programs, and an update on the Authority's project at 800 Middle Street, Houston, TX, which began developing prior to Mr. Proler's tenure.

Mr. Proler testified that the 800 Middle Street project currently has no residents, pending environmental reviews related to a fly-ash pocket located on the property. Mr. Proler testified that the portion of the property that has residential units has passed environmental review, but that property adjacent to residential units has not yet passed environmental reviews. The Committee highlighted that the selected site for the project is a former industrial waste site, and questioned how the site was selected and discussed the ownership history of the property. The Committee continued by questioning whether issues of contractual breach could be applied to deed, and executory contracts associated with the property's transaction.

Mr. Proler told the Committee that U.S. HUD OIG and FBI investigators executed a search warrant at 800 Middle Street the week prior to his testimony, but that he was unaware of what they were searching for, specifically. The Committee asked Mr. Proler how much capital has been committed to the project and the approximate completion status of the project; Mr. Proler indicated the project cost was approximately \$135 million, and the project was 95 percent complete. Mr. Proler assured the Committee that under Mayor Whitmire's administration, and under his leadership, no residents would be allowed to occupy the property until all environmental concerns have cleared.

Mr. Proler testified that Mayor Whitmire's administration tasked him and new Housing Authority leadership with reviewing the affordable housing programs, to ensure compliance with affordability and transparency requirements of the law. Mr. Proler highlighted the reforms made to the operation Public Facility Corporation (PFC) owned multi-family properties and reported that each of the Housing Authorities PFC owned properties were found to be compliant with the requirements of HB 2071, 88(R). Mr. Proler indicated that acquisitions of multi-family properties through PFCs had ceased, and that the housing authority has developed four new construction projects using the PFC tool with city council approval.

The Committee received testimony from Nathan Kelley, representing the Texas Affiliation of Affordable Housing Providers (TAAHP). Mr. Kelley testified that affordable rental housing has contributed approximate \$24.5 Billion to the Texas Economy, in addition to the housing benefits it provides to Texas residents, since the Low-Income Housing Tax Credit (LIHTC) program was created. Mr. Kelly testified that the cost of developing affordable rental units through the 9% LIHTC program averaged about \$5,200 per year per unit, between 2012-2019.

Speaking to property tax burdens, Mr. Kelly testified that his industry has seen an average annual increase of 15 percent in assessed values, while incomes for properties have increased 5 percent; he noted that those assessment value increases are unsustainable for properties whose income is capped annually by U.S. HUD. The Committee asked Mr. Kelley if a special valuation method would assist the industry with rising property tax burdens. Mr. Kelley indicated a special valuation method could provide property owners with greater predictability in planning for their tax liabilities.

MR. Kelley testified he believes the affordability and transparency goals for PFCs, put forth in HB 2071, 88(R), are being met, but warned that some multi-family property owners were seeking similar exemptions by structuring transactions with housing finance corporations (HFCs), or public housing authorities located away from the property's location. Mr. Kelley raised concerns that such actions could jeopardize the public perception of those affordable housing tools, and emphasized TAAHP is committed to maintaining a tool that has worked to produced affordable housing stock.

Mr. Kelly testified that, across his portfolio, average per door insurance premiums have increased from \$415 per unit to \$1315 per unit since 2020. Across his portfolio, Mr. Kelley testified insurance premiums were costing his business an additional \$2.6 million per year. Mr. Kelley highlighted legislation filed in the 88th Legislature seeking to create a state housing tax credit, and suggested additional State capital investment in affordable housing stock could aid in increasing housing supply. Mr. Kelly pointed out that properties must carry insurance, per loan agreements, and that properties transact out of affordable status if insurance is not maintained.

The Committee and Mr. Kelly discussed housing finance corporations closing deals outside of their jurisdictional boundaries. Mr. Kelley testified that some HFCs were operating outside of their boundaries. He noted that some HFCs are operating under a cooperative agreement with an outside local jurisdiction, and stated he believes those cooperative agreements to be appropriate tools for development. He discussed with the Committee the need for reforms to ensure that HFCs operate within their jurisdictional boundaries, or with the cooperation of local governments. Mr. Kelley suggested that any properties not financed with housing tax credits could be required to use the PFC tool, citing the affordability and transparency reforms already passed last session.

The Committee and Mr. Kelley discussed the merits of the “2-mile rule” and whether adjustments could be made to the rule. Mr. Kelley told the Committee that his organization agrees that re-capitalizations of properties should not be included in the applicability of the rule. Mr. Kelley also suggested that some cities might benefit from being granted flexibility setting a mileage standard.

The Committee received testimony next from Theresa Morales, director of multifamily bonds at the Texas Department of Housing and Community Affairs (TDHCA), who provided an overview of the private activity bond (PABs) programs in Texas. Ms. Morales explained that PABs are paired with 4% LIHTCs allocated by TDHCA and gave an overview of the program’s calendar cycle. She explained that the program is driven by the PAB ceiling amount, and when the Bond Review Board begins issuing reservations for projects; noting that reservations become available throughout the year, and that volume become available throughout the year as reservations are ultimately withdrawn. Ms. Morales noted that projects not granted a reservation in a calendar year, typically participate in the following year. Ms. Morales testified that the 2024 PAB ceiling amount is \$3.8 Billion, and that the PAB ceiling is currently oversubscribed, approximately 2:1, and that the TDHCA bond limit is oversubscribed by approximately 1.5:1.

Next, the Committee received testimony from Wendy Quackenbush, Director of Multi-family compliance for TDHCA, who provided an update on the implementation of HB 2071’s transparency and reporting requirements imposed on PFCs. Ms. Quackenbush testified that 14 PFC audit reports have been submitted and reviewed by TDHCA following the passage of HB 2071, noting that the department expects to receive an increased number of audits by year end. Ms. Quackenbush testified that ten of the fourteen audit reports included adverse findings of non-compliance. The adverse findings included findings of gross rents exceeding applicable rent limits, household income limits exceeding limits at move-in, and findings of PFCs failing to comply with a regulatory agreement.

Ms. Quackenbush testified that TDHCA has extended the deadline for audit compliance to December 15, 2024, at the request of some PFC property owners. Ms. Quackenbush noted that central appraisal districts were not currently tracking individual properties owned by PFCs and testified that TDHCA is aware of some property owners seeking to avoid reporting requirements by structuring deals with HFCs.

The Committee next received testimony from Blake Vaughn, representing himself. Mr. Vaughn testified he believes Texas cities are excessively regulating the creation of accessory dwelling units. He also testified that some Texas cities restrict the size and shapes of residential lots by cities. He testified that he believes some local zoning control can be appropriate, but generally believed that some cities are micro-managing property ownership decisions.

The Committee next received testimony from Charles Coats, representing Habitat for Humanity College Station. Mr. Coats testified that the increase in the cost of land have made building new homes difficult for non-profit homebuilders. The Committee asked Mr. Coats how many homebuilding projects Habitat is building in Bryan-College Station; Mr. Coats indicated Habitat was currently constructing two homes in the area and is currently exploring other building opportunities. The Committee asked Mr. Coats if Habitat was exclusively building single-family homes; Mr. Coats indicated they are currently

engaged in building single-family, exclusively, but were considering multi-family options given the cost of dirt.

Next, the Committee received testimony from Michael Taylor, testifying on behalf of Habitat for Humanity San Antonio. Mr. Taylor testified that Habitat San Antonio is currently building 3–4-bedroom homes, which they finance for 15-20 years at 0% interest, and are selling homes for \$145,000. Monthly payments for these homes are approximately \$900, including escrow for taxes and insurance. Mr. Taylor told the Committee that Habitat partners with the City of San Antonio, and the city provides \$5 million-\$6 million in annual loans that Habitat uses to build streets, sidewalks, drainage, and other utilities; Mr. Taylor indicated the loan program reduces the cost of each house by \$40,000-\$50,000. Mr. Taylor also testified that the city also provides water and sewer impact fee waivers to Habitat, which reduce the cost of each home by \$8,000-\$9,000.

The Committee next heard testimony from Mark Carmona, Chief Housing Officer for the City of San Antonio. Mr. Carmona told the Committee, the City of San Antonio had recently implemented Strategic Housing Initiative Plan (SHIP), a 10-year plan to address housing affordability concerns. The City adopted SHIP with Bexar County, Opportunity Hope, which is the City's housing authority, and San Antonio Housing Trust, which is a public finance corporation. He testified that through SHIP, the city has preserved 22,000 affordable homes, preserved 1,000 units for families below 30% AMI, created and preserved 3,000 units for elderly Texans, and created five hundred site based permanent supportive housing units for people exiting homelessness.

Mr. Carmon testified that the city is making affordable housing a priority through fee waivers, by exempting affordable housing from costly development code requirements. He testified the city updated development guidelines for accessory dwelling units and implemented a home rehab program to prevent demolitions for families facing life-safety issues. He told the Committee the city is currently reviewing density bonus provisions in the city's development code.

Mr. Carmona finished that San Antonio voters approved a \$150 million bond for affordable housing to provide approximately 95,000 households. He testified that 60% of the bond issuance would be allocated to new housing production, and 40% allocated to existing stock preservation.

The Committee next received testimony from Stephi Motal, representing the Texas Society of Architects (TSA). Ms. Motal testified that different local regulatory regimes make it difficult for some architects to conduct business throughout the state. She noted that the additional costs incurred from navigating various regulatory regimes are ultimately passed on to homebuyers. Ms. Motal expressed that minimum lot size regulations burden the construction of certain types of housing.

Next, the Committee received testimony from Ben Martin, Research Director for Texas Housers. Mr. Martin testified that low-income Texans were the most cost burdened demographic and had the most difficulty attaining affordable housing. Mr. Martin testified that the state should explore kickstarting state funding through the State Housing Trust Fund. Mr. Martin testified that eliminating the preference for State Representatives to approve housing tax credit property construction could ease burdens associated with constructing tax credit properties, and that relaxing the "2-mile rule" would accomplish similar goals.

Next, the Committee received testimony from Kathy Green, Director of Advocacy for AARP Texas. Ms. Green testified that a recent AARP poll found that 89 percent of Texans aged forty-five and older prefer to stay in their home as they age. Ms. Green reminded the committee that most elderly Texans live on fixed income. She noted that the Texas over-65 population grew 42 percent between 2012-2022, and that Texas is one of the top five states elderly Americans are currently moving to. Ms. Green testified that reducing regulations and increasing different types of housing supply would meaningfully benefit elderly Texans.

The Committee next received testimony from Tanya Lavelle, Policy Advisor for Disability Rights Texas. Ms. Lavelle testified that the state should increase funding to the state's LIHTC programs. She also testified that the state should ensure that housing vouchers are used properly. Ms. Lavelle advocated for the creation of a Texas housing assistance program to assist low-income Texans with housing costs. The Committee cautioned that having the state subsidize the housing costs could ultimately balloon housing costs over time, and that the subsidy could ultimately shift additional costs to non-subsidized properties.

The Committee next heard testimony from Samuel Hooper, Counsel for The Institute for Justice (IJ). Mr. Hooper testified that IJ is supportive of reducing the minimum lot sizes that some Texas cities impose on residential lots. He also testified that IJ supports increasing valid petition requirements for zoning changes, noting that in some circumstances a small number of neighbors can stall development of new housing stock. Mr. Hooper testified that IJ also supports reducing regulations imposed on building accessory dwelling units, duplexes, and triplexes. Mr. Hooper added that minimum parking requirements imposed by some cities increase the cost of building new housing.

Next, the Committee received testimony from Brita Wallace, testifying on behalf of herself as a homebuilder in Austin. Ms. Wallace testified that reducing regulatory barriers is essential to meeting the Housing needs of Texas and protecting private property rights. Ms. Wallace indicated that allowing builders to build multiple types of homes within a region allows builders to deliver various types of products to different types of Texans. Ms. Wallace also testified that the valid petition process adds to the complexities of regulatory regimes imposed by cities, noting that complexities add to the time and costs associated with a project.

The Committee next heard testimony from Amy Parham, CEO of Habitat for Humanity Texas. Ms. Parham testified that increased costs of land and building materials make building new houses more expensive. She told the Committee that following Hurricane Harvey, Habitat Houston was able to partner with capital partners to develop Robin's Landing, a master plan community consisting of housing provided to families making less than 80 percent of the area median income, noting that access to capital allowed Habitat to develop the community. Ms. Parham testified that Habitat supports the creation of a state revolving loan fund to provide access to low-cost capital that can be used to finance affordable housing development.

Next, the Committee received testimony from David Goswick, testifying on behalf of himself. Mr. Goswick testified that the American dream is homeownership, and that homeowners typically have a net worth approximately forty times larger than the average renter. Mr. Goswick testified that the State of Texas needs to create 500,000 additional housing units over the next 10 years, and that the State needs to explore innovation in housing, focus on creating smaller housing units, and crafting more resilient housing stock. Mr. Goswick also pointed out that increasing the homestead exemption reduces

the monthly and annual costs associated with homeownership. The Committee and Mr. Goswick discussed the affordability difficulties first time homebuyers face in the current market and concluded that adding new supply to the market is the best path to solving those problems.

The Committee next received testimony from Elizabeth York, representing Johnson Development Corporation. Ms. York testified that the differences across regulatory regimes add additional costs to the overall cost of developing communities and housing. She cited an example of a community requiring nine in thick concrete sidewalks without providing justification for the material thickness. Ms. York encouraged the Committee to consider reducing regulatory barriers to development, and to consider a unified regulatory regime for housing development to create more certainty in the development planning process.

The Committee next heard testimony from Robert Kembel, President of the Nehmiah Company in Arlington. Mr. Kembel testified that he has been in the master planned community business for 25 years. Mr. Kembel emphasized that length of time building a project is the largest cost driver for a development. Mr. Kembel testified that substantial completion checklists and tree ordinances add to the length of time it takes his company to develop land and housing. Mr. Kembel testified that the carry costs associated with long-term community development sometimes outstrip land acquisition costs, and that streamlining development is the best way to make development more affordable.

Next, the Committee received testimony from Ocie Vest, who testified on behalf of himself. Mr. Vest testified that some cities are using access to water utilities as leverage to force landowners to annex into their city limits. Mr. Vest told the Committee that the City of Ft. Worth will deny access to water utilities to landowners located in the city's water CCN, unless the landowner has a development agreement with the city or agrees to be annexed into the city. Mr. Vest and the Committee discussed ways the Legislature should consider addressing stranded water problems in North Texas.

The Committee next heard testimony from Lauren Rose, representing Texas Network of Youth Services. Ms. Rose sked the Committee to consider the needs of foster care youth aging out of foster care when considering housing affordability issues. Ms. Rose testified that the state should consider incentivizing landlords and property owners to rent to aging foster care youth and other at-risk youth populations.

Next, the Committee received testimony from Dr. Vance Ginn, President of Ginn Economic Consulting. Dr. Ginn emphasized that many of the factors affecting housing affordability are determined by the federal government, highlighting inflationary trends, and interest rate decisions made by the Federal Reserve. Dr. Ginn testified that at the state and local level, zoning regulations restrict the amounts and types of housing stock that can be delivered in a market. He also highlighted that costs associated with occupational licenses drive up the cost of housing projects.

Dr. Ginn also highlighted that high property tax burdens result in diminished housing affordability measures. Dr. Ginn testified that while school district tax collections declined 10.1 percent in 2023, special district levies increased 7.7 percent, county levies increased 10.9 percent, and city levies increased 9.5 percent; he testified that total property tax collection declined by 1 percent. Dr. Ginn encouraged the Committee to consider amending the 2019 property tax reforms to provide greater control over non-ISD tax levy increases to taxpayers.

Next, the Committee received testimony from Lena Carnahan, representing the Real Estate Council of Austin (RECA). Ms. Carnahan testified that RECA members are most cost burdened by onerous regulations, high development fees, and various approval processes. She testified that local regulations have made it difficult to build what is known as the “missing middle” in Austin, and that allowing for different types of developments in Austin would improve affordability conditions in the city. MS. Carnahan testified that is common for development fees for multi-family projects in Austin to exceed \$20,000 per project. She suggested that allowing for the development of multifamily housing where a property is already zoned commercial would allow for the creation of more affordable housing stock. The Committee asked Ms. Carnahan if commercial to residential conversions could meaningfully move the affordability needle in Texas; Ms. Carnahan noted that there are limited circumstances when such projects would pencil, but that all tools should be considered.

The Committee next received testimony from David Billings, Mayor of Fate, TX. Mayor Billings testified to his concerns with MUD development, stating that MUD bonds are often times approved by one voter residing in the district. Mr. Billings also explained that cities must take the city’s current water allocations into account when new MUDs apply for utility connection within a city’s water CCN.

Next, the Committee heard testimony from John Bonura, representing the Texas Public Policy Foundation. Mr. Bonura testified his research indicates that city regulations, specifically minimum lot size regulations, contribute to increased costs of housing stock. Mr. Bonura testified that Austin area rents declined following the city’s decision to reduce its required minimum lot size. Mr. Bonura’s overall emphasis to the Committee was that free-market principles should prevail in building and development policy discussions.

The Committee next received testimony from Caelen Shelton, testifying on behalf of himself. Mr. Shelton testified that he supports minimum lot size reform and highlighted that local governments could increase their tax base by implementing smaller minimum lot size requirements and freeing up land for greater development densities.

Next, the Committee received testimony from Amy Hedtke, representing herself. Ms. Hedtke encouraged the Committee to visit the Mobile Loaves and Fishes’ Community First Village, stating it was a good solution to the city’s homeless problems. Ms. Hedtke testified that homeowners’ associations (HOAs) are imposing burdensome regulations on communities that increase the cost of housing and encouraged the Committee to consider reforming HOA powers. She also testified that local regulations governing short-term rentals are becoming problematic.

The Committee next received testimony from Charles Scoma, representing the Texas Silver Hair Legislature. Mr. Scoma testified that the Silver Hair Legislature recommends that the Legislature increase funding to the state’s LIHTC programs, the target low-income housing projects for elderly Texans. Mr. Scoma also testified that the Silver Hair Legislature supports imposing a ten percent tax assessment cap for residential rental properties. The Committee and Mr. Scoma discussed the benefits extended to over sixty-five homeowners though ISD tax freezes.

Next, the Committee heard testimony from Emily Dove, representing Texas 2036. Ms. Dove proposed considering eliminating minimum square footage requirements, noting that some cities impose minimum square footage requirements on single family homes that set a floor on the cost of

housing in those jurisdictions. Ms. Dove also suggested allowing for the construction of single-stair buildings and testified that they allow Texans to remain in their homes across all stages of life.

The Committee next received testimony from Brennan Griffin, representing Texas Appleseed. Mr. Griffin testified that subsidizing housing costs for the lowest income Texans, coupled with deregulating building and construction regulations, would improve housing affordability metrics both regionally and more locally at the neighborhood level. He testified that recent studies indicate increases in market-rate housing combat gentrification levels in local areas.

The Committee received final public testimony from Cade Coppinger and Benjamin Crockett, representing the Texas A&M Student Government Association. Mr. Coppinger and Mr. Crockett testified to increasing affordability concerns in College Station, specifically for students. Mr. Coppinger testified that a shortage of rental properties was forcing many students to enter into lease agreements over a year before the lease period begins and suggested that an increased number of rental units could alleviate affordability concerns.

Mr. Coppinger, Mr. Crockett, and the Committee discussed concerns with municipal ordinances throughout the state that limit the number of unrelated occupants per household. Mr. Coppinger and Mr. Crockett testified that the City of College Station limits households to four unrelated occupants, and certain parts of College Station are zoned to 2-person occupancy restrictions. Mr. Crockett described to the Committee the methods used by the city to enforce these occupancy limits. Mr. Crockett and Mr. Coppinger described the various exceptions to the city's ordinances for the Committee.

Mr. Crockett described the practice of "home sharing" for the Committee, whereby unrelated adults agree to co-lease a shared residential space. He noted several business models predicated on helping individuals interested in "home sharing" find roommates based on common values. He noted that many of these businesses have found it difficult to operate in Texas due to local ordinances limiting unrelated occupants.

RECOMMENDATIONS:

1. The Legislature should consider passing legislation strengthening personal property rights, which are the bedrock of free market exchange and economic development, by identifying specific instances of local overregulation to cull. This will preserve the economic freedom of homeowners and home builders to meet the needs of the Texas housing market.
2. The Legislature should consider passing legislation prohibiting local governments and any corporations acting on their behalf from owning or investing in affordable housing properties outside of the district's boundaries.
3. The Legislature should consider passing legislation requiring all affordable housing projects to be approved by the local taxing units in which the property is located, disallowing the approval by a taxing unit from another jurisdiction.

Charge 5: Secure Texas Against “Squatters”

Review current laws relating to “squatters” or those claiming adverse possession of property. Make recommendations to streamline the process for the immediate removal of “squatters” and to strengthen the rights of property owners.

The Committee met on Wednesday, May 15, 2024, to hear invited and public testimony on the Committee's Secure Texas Against “Squatters” charge. The Committee took testimony from a total of sixteen witnesses, representing viewpoints from property owners, property owners’ agents, law enforcement agencies, the judiciary, and local governments.

The Committee began by discussing concerns that have been raised to members relating to growing trends throughout the United States and Texas of individuals trespassing on others’ property, by calling the act by a different name, “squatting.” The committee discussed the need to ensure that individual rights are protected, and that the State’s laws provide balance to property owners and bona fide tenants, both in structure and enforcement.

The Committee first called Rusty Adams, an attorney with the Texas A&M Real Estate Center, who provided the committee with an overview of the issue of “squatting.” Mr. Adams provided the committee with various definitions of “squatter,” stemming from both English common law and Texas case law. Mr. Adams provided the committee with a distinction between scenarios arising from Texas’ adverse possession statutes and scenarios involving criminal trespassers, which are commonly associated with “squatting.”

Mr. Adams provided the committee with an overview of the remedies available to property owners seeking to address a trespass issue, discussing three remedies: (1) self-help: property owners may seek to remove a trespasser from their property and are allowed to use force in certain situations, including deadly-force in some situations; (2) law enforcement: property owners may call law enforcement to have a trespasser removed from their property; (3) Judicial: property owners may file for judicial eviction remedies through filing under the forcible detainer or forcible entry and detainer statutes.

Mr. Adams and the committee discussed the practical and prudent problems that can arise from situations when property owners seek to remove trespassers themselves, without the assistance of law enforcement. Mr. Adams also described to the Committee the practical difficulties that present to law enforcement in circumstances when they may not have a way to know the parties’ respective rights. He discussed circumstances where trespassing occupants claim to be bona fide tenants, hold-over tenants continue to occupy a property for which rights to possess have been revoked, and when trespassers provide fraudulent lease documentation. Mr. Adams told the committee that when a person claims to have a right to occupy a property, law enforcement may take a hands-off approach, treating it as a civil matter.

Mr. Adams continued by providing the Committee with an overview of judicial eviction remedies available to property owners under Ch. 24, Texas Property Code, and Texas Rules of Civil Procedure, Rule 510. Mr. Adams explained to the Committee that any trial related to the actual possession of the property must be adjudicated by the Justice Courts. Lawsuits related to the adjudication of title or for damages that exceed the jurisdictional limits of the Justice Court require that other lawsuits be filed.

Mr. Adams explained the process for filing eviction suits in Texas Justice Courts. Property owners must post a notice, file a lawsuit, receive a scheduled hearing date, win a trial, receive a writ issue, and have the writ served. In most circumstances, notice to vacate must be provided 3 days prior to filing suit – in cases involving forcible entry, a landlord can give oral or written notice to vacate immediately (Texas Prop Code, Sec. 24.005(d)). A trial must be scheduled between 10 and 21 days after the eviction petition is filed, and at least 6 days after service of the citation. Following judgement, a writ may not be issued before the sixth day after judgement, which coincides with the expiration of time to appeal (Property Code, Sec. 24.0061). In default judgments, property owners may get more immediate possession via issuance of a possession bond (TX R. Civ. P. 510); there are additional time limitations, notices, and costs associated with pursuing possession bonds. These timelines do not take into consideration the potential for additional delays incurred by jury demands and are statutory minimums. Mr. Adams points out that judicial delays can significantly prolong these timelines.

Mr. Adams pointed out that the eviction procedures codified in Ch. 34, Texas Property Code, are written primarily to address landlord/tenant disputes and testified that in circumstances related more to criminal trespass, the Ch. 34 procedures are not working.

The Committee discussed the need to increase criminal penalties associated with “squatting” situations involving criminal trespass. The Committee discussed the need to identify an appropriate list of ownership and lease documentation that can be referenced by law enforcement to quickly determine an individual’s rights to possession. The Committee discussed the need for enhanced judicial oversight of these types of cases and the need to shorten statutory timelines related to eviction proceedings to ensure that possession disputes are addressed timely.

Mr. Adams and the Committee discussed concerns that could arise out of circumstances involving three parties, whereby a trespasser enters into a fraudulent lease agreement with a tenant without the tenant’s knowledge that the trespasser has no possessory rights and no rights to enter into a lease agreement for the property.

The Committee next took testimony from Terri Boyette, a homeowner from Mesquite, Texas, who testified on her difficulties removing a trespassing “squatter” from her home in Mesquite.

Ms. Boyette told the Committee that she was first notified by a friend on June 19, 2023, that someone was living in her house while she was out of state, caring for her elderly mother. The individual trespassing in Ms. Boyette’s home was a known individual to Ms. Boyette but was never given permission to occupy the She testified that she called Mesquite Police Department the same day and was advised that she would be required to pursue eviction procedures because she was unable to validate how long the person had been present in her house. Between June 20 and July 10, 2023, Ms. Boyette attempted to contact the “squatter” directly and through intermediaries in an attempt to get them to leave. On July 17, 2023, Ms. Boyette initiated the eviction process without legal counsel and mailed an initial notice to vacate. A second notice to vacate was mailed on August 17, 2023. Ms. Boyette was unable to secure a court date and was notified by the court on September 17, 2023. She hired an attorney on September 19, who sent an eviction notice to the “squatter” on September 20 and a second notice on October 20, 2023. Ms. Boyette was granted a court date and received an eviction order on December 5, 2023. However, the issuance of a writ-of-possession was by the court, and the “squatter” was able to maintain possession of Ms. Boyette’s home through the holidays, denying her possession of her homestead during the Christmas holiday. The Dallas County Sheriff’s office served a final writ of

possession on the “squatter” on February 5, 2024, and the “squatter” was removed from the property by Dallas County Sheriff’s office on March 20,2024.

From beginning to end, it took Ms. Boyette approximately 9 months to remove an individual who, by anyone’s standard, was criminally trespassing in her homestead. Ms. Boyette testified that during the time that the “squatter” occupied her homestead, the “squatter” sold personal items like Ms. Boyette’s refrigerator and dining table from her home. At the time of the Committee’s May 15 meeting, Ms. Boyette testified that she had not yet been able to remedy the damages caused by the “squatter”, had not yet been able to move back into her residence, and was navigating the insurance claims process to recoup damages estimated in excess of \$200,000.

Ms. Boyette raised concerns to the committee regarding the imbalance of public resources provided to litigants involved in eviction suits. She cited the list of public resources provided by the Justice Court’s clerk to the “squatter” in her circumstances, and the public legal aid made available to the “squatter” in her circumstances. Ms. Boyette questioned whether “squatters” should be able to access legal aid intended to assist low-income tenants, noted that property owners carry the burden of funding their own legal counsel in eviction proceedings.

The committee next heard testimony from Judge Lincoln Goodwin, Harris County Justice of the Peace Precinct 4, Place 1. Judge Goodwin explained to the committee how he observed tactics associated with “squatting” modernize, utilizing technologies and public datasets to identify vacant properties. Judge Goodwin described the difficulties that arise when law enforcement is presented with a fraudulent lease by a “squatter,” and a case appears to be a civil matter at first presentation.

The Committee and Judge Goodwin discussed existing statutory provisions in the property code that allow for ex-parte judicial proceedings. Judge Goodwin highlighted that the property code allows for grants of writ of re-entry through ex-parte proceedings involving only a tenant. The Committee and Judge Goodwin discussed the possibility of allowing similar types of ex-parte proceedings involving only a property owner that could allow property owners and law enforcement to remove “squatters” expeditiously, with a degree of judicial oversight.

Next, the Committee heard testimony from Michael Mengden, testifying for himself and the Texas Realtors. Mr. Mengden described how some “squatters” will follow real-estate listings, break into houses that are listed for sale, and seek to establish possession. Mr. Mengden went on to describe to the committee that he personally knew of multiple instances where property owners de-listed for-sale and for-lease properties after encountering difficulties with “squatters.” Mr. Mengden suggested increasing awareness of “squatting” and educating realtors and other property professionals on best practices to ensure a property owner is the actual owner. The Committee and Mr. Mengden discussed increased concerns and levels of fear amongst realtors and property management professionals and the increased potential for violent conflict to arise out of “squatting” situations.

The Committee heard next from Abram and Yudith Matthews, homeowners from San Antonio, Texas, who experienced difficulties having a “squatter” removed from their homestead property. The Mathews family entered a construction contract with a contractor to perform renovation work in their home. The Mathews entered a verbal contract with their contractor and allowed the individual to stay in their home while work was being performed. However, once the contractual work was finished, the contractor refused to vacate Mr. and Mrs. Matthews’ property at the request of Mr. and Mrs. Matthews.

Mrs. Mathews described to the Committee how the “squatter” was stealing water utilities through the duration of the trespassing incident and how the “squatter” would use drugs in their house while the Mathews’ children were present. The Mathews testified that these crimes were reported to San Antonio Police Department but were told that these were private issues and law enforcement could not provide them assistance. From the beginning of the contractual work period, it took Mr. and Mrs. Mathews 3 months to regain full possession of their property.

Mr. Mathews also raised concerns about the imbalance in taxpayer-funded legal resources provided to “squatters” compared to property owners. Mr. and Mrs. Mathews provided documentation of the legal resources that the City of San Antonio made available to the “squatter” who was being evicted and noted that no legal resources were provided to them as property owners.

The Committee next heard from Captain Daniel Garza and Captain Jim Sharmon, testifying on behalf of Harris County Constable, Precinct 4, who provided the committee with a perspective from law enforcement officers who encounter “squatting” issues in the field. Captain Garza described the difficulties that present to law enforcement in situations where fraudulent lease or ownership documents are presented to law enforcement. Captain Garza noted for the committee that, oftentimes, law enforcement lacks the ability to determine if the document they are presented in a valid or fraudulent document. The committee and Captain Garza discussed creating a process whereby a property owner could file a “squatting” complaint, and an individual would be required to produce a notarized affidavit in order to maintain possession of the property and not be removed by law enforcement. Captain Garza suggested that a property ownership database, or access to appraisal district records, could assist law enforcement in quickly determining who has rights to possession of property. Captain Garza agreed that reducing the judicial timelines associated with eviction proceedings would assist law enforcement in helping property owners struggling with the “squatting” process.

Captain Sharmon provided the committee with insight into the process and timelines associated with eviction service and proceedings. Captain Sharmon explained that service of eviction filings must be attempted on two separate occasions, and if service is not completed after two attempts, an affidavit must be completed by the serving deputy to obtain an alternate service request. Alternate service requests allow the deputy to post and mail a copy of the service to the defendant. Captain Sharmon noted that many individuals are skilled in avoiding service and will sometimes provide alternative addresses to the JP court, which must be included in service attempts. The committee discussed possibly removing the requirement that law enforcement serve “squatting” defendants at alternative addresses, allowing service at the property in question to suffice. Captain Sharmon indicated that his office handles hundreds of “squatting” eviction cases per year. Captain Sharmon suggested that an ownership database, or a defined list of qualifying documentation, would allow law enforcement to more quickly determine if an individual owns property or has the right to possession of the property.

The Committee next heard from Fred Flickinger, City Councilman, City of Houston, District E. Mr. Flickinger described for the Committee “squatting” situations in Houston that arise when individuals take possession of properties owned by recently deceased individuals. Mr. Flickinger and the Committee discussed that appraisal districts are not automatically notified of a taxpayer’s death, and that exemptions and deferrals associated with a deceased taxpayer’s property may continue to run with the property until the property transacts. Mr. Flickinger told the committee of an instance in which “squatters” had inhabited a deceased woman’s property in Houston and of the difficulties in having

them removed through a tax foreclosure sale. The deceased woman lacked any heirs, and the property had remained in an estate, with an over-sixty-five property tax deferral continuing to run on the property. The lack of heirship presented additional hurdles in proving that the “squatters” lacked possession rights to the property. The Committee suggested that creating a process by which death certificates and notifications of the death of taxpayers to appraisal districts could reduce the number of “squatting” situations that arise in the first place.

The Committee heard next from George Huntoon, a Katy, TX, real estate broker, who testified on behalf of himself. Mr. Huntoon has become a “squatting” problem solver in the Houston real-estate market and assists property owners with various types of “squatting” problems.

Mr. Huntoon explained that in most of his experiences, squatters have had to be removed through the eviction process. Mr. Huntoon highlighted the difficulties in navigating eviction processes for property owners and noted that any mistake made by a property owner potentially resets the eviction timeline for a property owner. Mr. Huntoon explained that tenant right’s attorneys in Houston are providing pro bono legal services to “squatting” defendants and that Harris County provides “squatting” defendants with guides and access to pro bono legal aid. He went on to explain that certain individuals advertise “consulting services” and provide “squatter” defendants with advice on how to prolong eviction processes for a few hundred dollars. Mr. Huntoon and the committee discussed the potential for “squatting” situations to turn violent.

The Committee next heard from David Howard, President of the National Rental Home Council, who provided the Committee with an overview of what other states are implementing to address concerns with “squatters” and improve property owners’ methods of recourse. Mr. Howard testified that the National Rental Home Council became earnestly involved in the issue of property occupation in August 2023, when the Council noticed a marked increase in the number of “squatter” complaints it was receiving. In the Dallas/Ft. Worth market, the National Rental Home Council received approximately 475 complaints between August 2023 and May 2024.

Mr. Howard and the Committee discussed the tangential issues that oftentimes arise from “squatting” situations, notably public nuisance, and public safety concerns. Mr. Howard also discussed the connection between the squatting issue and housing affordability, noting that each instance of “squatting” removes inventory from the sale or lease market.

Mr. Howard testified that several states have recently passed legislation seeking to address instances of “squatting” and other types of illegal occupation and allowing property owners to regain possession and control of their properties, citing Georgia, Florida, and Alabama, specifically. Mr. Howard noted that each state’s legislative actions shared the following common provisions: (1) codifying the act of trespassing into law; (2) providing a time certain process requiring owners and occupants to disclose legal documentation attesting to their claims; (3) including preventative measures to ensure that owners and occupants are truthful in disclosing documentation; and (4) providing courts and law enforcement with a more efficient means to respond to claims of illegal occupation, or “squatting”.

The Committee next heard from Howard Bookstaff, an attorney testifying on behalf of the Texas Apartment Association. Mr. Bookstaff testified to the Committee that instances of “squatting” in single-family and multi-family rentals have increased in Texas. Mr. Bookstaff stated that the Texas Apartment Association had conducted a survey among four hundred of the multi-family property owner and

operator members; 160 members replied to the survey, with slightly more than half indicating they had experienced a “squatting” problem within the past year. Of the members who experienced problems, approximately half were able to remedy their situation themselves or with the help of law enforcement; the remaining half were required to pursue eviction proceedings. Mr. Bookstaff discussed the eviction process with the Committee and noted that the current process is cumbersome for property owners; he told the Committee he typically sees property owners regain possession of their property between 1-5 months after initially filing for eviction proceedings. Mr. Bookstaff suggested that simplifying the eviction process for “squatters,” as well as other issues where there is no real dispute, such as non-payment of rent, could potentially reduce docket loads and allow courts to move cases more efficiently.

The Committee next heard from James Quintero, testifying on behalf of the Texas Public Policy Foundation. Mr. Quintero emphasized to the committee that the Texas Constitution and Statutes provide extensive rights and protections to property owners, but that there is nothing to suggest support for a concept of “squatters’ rights.” He discussed with the committee various types of other harms that stem from “squatting” situations, citing reports in Houston of “squatting” situations involving gunfire, drug use, and drug distribution at properties associated with “squatting.” Mr. Quintero also discussed the substantial cost burdens passed on to property owners in “squatting” situations, citing a report in San Antonio where a realtor incurred \$7,500 in court fees pursuing eviction and \$50,000 in repair expenses to remedy damages caused by the “squatter”. Mr. Quintero and the Committee discussed increasing concerns that artificial intelligence might assist individuals and organizations in forging fraudulent lease and deed documents.

The Committee next heard from Crystal Moya, a property manager testifying on behalf of the Texas Apartment Association. Mrs. Moya oversees fifty-four apartment communities, including approximately 11,500 apartment units across Texas. Mrs. Moya provided the Committee with examples of “squatting” that she has encountered in her property management role. In one instance, a former employee of an apartment complex allowed a boyfriend, who was recently released from prison, to illegally rent out units in the complex without the knowledge or consent of the property’s management or ownership. Eviction proceedings to remove unlawful tenants took property management 6 months and cost \$150,000 to regain possession from eleven “squatters”.

The Committee next heard from Aaron Eaquinto, General Manager of the Dallas Housing Finance Corporation, who echoed the concerns of Mrs. Moya. Mr. Eaquinto and the Committee discussed the impact to the reputation of entities like the Dallas Housing Finance Corporation when properties owned by the corporation become inhabited and damaged by squatters.

The Committee heard last from Tracy Jaso, an apartment manager in San Antonio, testifying on behalf of the Texas Apartment Association. Mrs. Jaso described to the Committee the difficulties that her apartment complex has endured with “squatters,” and the legal costs that the complex’s management has incurred seeking eviction orders for “squatters.” Ms. Jaso and the Committee discussed a situation in San Antonio where a “squatter” broke into an apartment unit but was not removed by law enforcement. During the eviction process, the “squatter” threatened Ms. Jaso with a firearm, for which they were arrested by the San Antonio Police Department. However, the “squatter” was released from custody within a day and regained possession of the apartment unit before management could change the locks. A writ of possession was issued, and Bexar County Constables removed the “squatter” after the apartment complex incurred \$5,000 in legal fees.

RECOMMENDATIONS

1. The 89th Texas Legislature should consider increasing criminal penalties for:
 - a. unlawful occupation of residential property and intentionally causing damage.
 - b. advertising the sale or lease of property without legal authority.
 - c. providing falsified information through statements or in writing to obtain real property.
2. The Legislature should consider passing legislation to expedite eviction proceedings.
 - a. Allow property owners to file affidavit of ownership and be granted ex-parte hearing within 24-48 hours.
 - b. Allow for notice to an offender to be served by posting on property door, do not require notice be served in person or service at alternate address.
 - c. Allow 48-72 hours for offender to provide evidence by affidavit to court of rights to possession (felony penalties for providing false statements).
 - d. Provide for summary disposition in eviction proceedings if there is no genuine issue or fact for the court to resolve at trial. (Additional benefit of clearing docket space, making courts more efficient)
 - e. Provide for immediate grant of writ of possession.
 - f. Create strict timelines for judicial proceedings, absent agreement of the parties.
3. Provide law enforcement tools to immediately remove “squatters.”
 - a. Allow property owners to file affidavit stating three criteria:
 - i. The offender has unlawfully entered and remains on the property.
 - ii. The individual has been directed to leave the property by the owner but has not done so; and
 - iii. The individual is not a current or former tenant in legal dispute then law enforcement shall take immediate action to remove a “squatting” individual.
 - iv. Create Penalties for filing false affidavit.
 - v. Allow for law enforcement fee-for-service.
 - vi. Ensure that property owners or their agents are not liable for loss or destruction of personal property in removal, unless found to be wrongfully removed.
4. Allow law enforcement to review appraisal and deed records to timely determine ownership rights in “squatting” disputes. Consider creating intergovernmental database to efficiently share records in real time.
5. The Legislature should require standardized training on responding to squatting cases for JPs and law enforcement.

Appendix A

Senator Bettencourt's Office Estimate of SB 2 Property Tax Savings for Average Residence Homestead

Average Homestead Relief from SB 2 & HJR 2, 88th Legislature, 2nd Called Special			
<u>Senate Bill 2 Plan</u>	<u>Policy</u>	<u>Year 1 Relief</u>	<u>Year 2 Relief</u>
1	GAA SCP Decrease (\$0.0939 cut in 2024, \$0.1098 cut in 2025)	\$273.51	\$319.52
2	MCR Reduction (10.7 cent cut in 2023-2024 school year, continuing)	\$311.37	\$311.37
3	+\$60k HE	\$681.42	\$681.42
4	+\$15k tax ceiling adjustment for May 2022 relief	\$170.36	\$170.36
	Avg. Regular Homeowner Total Savings (1+2+3)	\$1,266.30	\$1,312.31
	Avg. Over 65/Disabled Homeowner Total Savings (1+2+3+4)	\$1,436.66	\$1,482.67
	Avg. Homeowner Property Tax Savings	\$1,373.00	
Note 1: Calculations assume savings on a \$331,000 homestead, and a total school district taxing rate of \$1.1357.			
*Prepared by the Office of Senator Paul Bettencourt			

Harris County Value Average Homestead Tax Bill Example



Harris County Average Homestead Tax Bill Comparison Tax years 2022-2024

Tax Year 2022 Residential Homestead Exemption without Cap					
Taxing Unit	Market Value	Res HS Exemption	AVG Taxable Value	Tax Rate	Tax Bill
Houston ISD	394,636	20%+40,000	275,709	1.037200	\$ 2,859.65
Harris County	324,877	20%	259,902	0.343730	\$ 893.38
HC Flood Control	324,877	20%	259,902	0.030560	\$ 78.40
HC Port Authority	324,877	20%	259,902	0.007990	\$ 20.77
HC Hospital District	324,877	20%	259,902	0.148310	\$ 385.46
HC Department of Education	324,877	20%	259,902	0.004900	\$ 12.74
Houston Community College	415,997	15%	363,597	0.095569	\$ 337.93
City of Houston	386,682	20%	309,346	0.533640	\$ 1,650.79
Total Tax Bill					\$ 6,240.09

Tax Year 2022 Residential Homestead & Over 65 Exemption without Cap or Ceiling						
Taxing Unit	Market Value	Res HS Exemption	O65 Exemption	AVG Taxable Value	Tax Rate	Tax Bill
Houston ISD	394,636	20%+40,000	15,000	260,709	1.037200	\$ 2,704.07
Harris County	324,877	20%	250,000	9,902	0.343730	\$ 34.04
HC Flood Control	324,877	20%	250,000	9,902	0.030560	\$ 3.03
HC Port Authority	324,877	20%	250,000	9,902	0.007990	\$ 0.79
HC Hospital District	324,877	20%	250,000	9,902	0.148310	\$ 14.69
HC Department of Education	324,877	20%	250,000	9,902	0.004900	\$ 0.49
Houston Community College	415,997	15%	120,000	233,597	0.095569	\$ 223.25
City of Houston	386,682	20%	260,000	49,346	0.533640	\$ 263.33
Total Tax Bill						\$ 3,243.67

Tax Year 2023 Residential Homestead Exemption without Cap					
Taxing Unit	Market Value	Res HS Exemption	AVG Taxable Value	Tax Rate	Tax Bill
Houston ISD	487,769	20%+100,000	290,215	0.868300	\$ 2,519.94
Harris County	401,207	20%	320,965	0.350070	\$ 1,123.60
HC Flood Control	401,207	20%	320,965	0.031050	\$ 99.66
HC Port Authority	401,207	20%	320,965	0.005740	\$ 18.42
HC Hospital District	401,207	20%	320,965	0.143430	\$ 460.36
HC Department of Education	401,207	20%	320,965	0.004800	\$ 15.41
Houston Community College	463,803	17%	384,957	0.092231	\$ 355.05
City of Houston	431,465	20%	345,172	0.519190	\$ 1,792.10
Total Tax Bill					\$ 6,384.54

Tax Year 2023 Residential Homestead & Over 65 Exemption without Cap or Ceiling						
Taxing Unit	Market Value	Res HS Exemption	O65 Exemption	AVG Taxable Value	Tax Rate	Tax Bill
Houston ISD	487,769	20%+100,000	15,000	275,215	0.868300	\$ 2,389.69
Harris County	401,207	20%	275,000	45,965	0.350070	\$ 160.91
HC Flood Control	401,207	20%	275,000	45,965	0.031050	\$ 14.27
HC Port Authority	401,207	20%	275,000	45,965	0.005740	\$ 2.64
HC Hospital District	401,207	20%	275,000	45,965	0.143430	\$ 65.93
HC Department of Education	401,207	20%	275,000	45,965	0.004800	\$ 2.21
Houston Community College	463,803	17%	135,000	249,957	0.092231	\$ 230.54
City of Houston	431,465	20%	260,000	85,172	0.519190	\$ 442.20
Total Tax Bill						\$ 3,308.39

Tax Year 2024 Residential Homestead Exemption without Cap					
Taxing Unit	Market Value	Res HS Exemption	AVG Taxable Value	Tax Rate	Tax Bill
Houston ISD	493,464	20%+100,000	294,771	0.868300	\$ 2,559.50
Harris County	397,997	20%	318,398	0.355290	\$ 1,226.78
HC Flood Control	397,997	20%	318,398	0.049970	\$ 155.92
HC Port Authority	397,997	20%	318,398	0.006150	\$ 19.58
HC Hospital District	397,997	20%	318,398	0.183480	\$ 520.52
HC Department of Education	397,997	20%	318,398	0.004799	\$ 15.28
Houston Community College	468,740	17%	389,054	0.098183	\$ 374.20
City of Houston	435,210	20%	348,168	0.519190	\$ 1,807.65
Total Tax Bill					\$ 6,679.41

Tax Year 2024 Residential Homestead & Over 65 Exemption without Cap or Ceiling						
Taxing Unit	Market Value	Res HS Exemption	O65 Exemption	AVG Taxable Value	Tax Rate	Tax Bill
Houston ISD	493,464	20%+100,000	15,000	279,771	0.868300	\$ 2,429.25
Harris County	397,997	20%	320,000	0	0.355290	\$ -
HC Flood Control	397,997	20%	320,000	0	0.049970	\$ -
HC Port Authority	397,997	20%	320,000	0	0.006150	\$ -
HC Hospital District	397,997	20%	320,000	0	0.183480	\$ -
HC Department of Education	397,997	20%	320,000	0	0.004799	\$ -
Houston Community College	468,740	17%	135,000	254,054	0.098183	\$ 244.36
City of Houston	435,210	20%	260,000	88,168	0.519190	\$ 457.76
Total Tax Bill						\$ 3,131.37

Data Source: Harris Central Appraisal District - Average Residence Homestead Values - Certification per tax year

Dallas County Average Homestead Tax Bill Example

Dallas County Average Tax Bill

2022 Tax Year	Dallas County	Parkland Hospital	Dallas College	Dallas City	Dallas ISD
Avg. Market Value*	376,669	376,669	376,669	376,669	376,669
Homestead Exemption	75,334	75,334	75,334	75,334	77,667
Over-65 Exemption	100,000	69,000	75,000	115,500	45,000
Taxable Value	201,335	232,335	226,335	185,835	254,002
Tax Rate	0.217946	0.235800	0.115899	0.745800	1.184935
Tax Levy	438.80	547.85	262.32	1,385.96	3,009.76
Total Levy for all Entities	5,644.69				

2023 Tax Year	Dallas County	Parkland Hospital	Dallas College	Dallas City	Dallas ISD
Avg. Market Value*	417,875	417,875	417,875	417,875	417,875
Homestead Exemption	83,575	83,575	83,575	83,575	141,788
Over-65 Exemption	100,000	100,000	100,000	139,400	45,000
Taxable Value	234,300	234,300	234,300	194,900	231,088
Tax Rate	0.215718	0.219500	0.110028	0.735700	1.013835
Tax Levy	505.43	514.29	257.80	1,433.88	2,342.85
Total Levy for all Entities	5,054.24				

2024 Tax Year	Dallas County	Parkland Hospital	Dallas College	Dallas City	Dallas ISD
Avg. Market Value*	472,221	472,221	472,221	472,221	472,221
Homestead Exemption	94,444	94,444	94,444	94,444	147,222
Over-65 Exemption	100,000	100,000	100,000	153,400	45,000
Taxable Value	277,777	277,777	277,777	224,377	279,999
Tax Rate	0.215500	0.212000	0.105595	0.704700	0.997235
Tax Levy	598.61	588.89	293.32	1,581.18	2,792.25
Total Levy for all Entities	5,854.25				

* Avg. Market Value based on County at Certification

Prepared on 11.5.24 @ the request of David Clark / JRA

Travis County Average Homestead Tax Bill Example

	2024		2023		2022	
	HS	OV65	HS	OV65	HS	OV65
Average Market Value	\$ 702,869	\$ 777,017	\$ 756,005	\$ 830,315	\$ 763,548	\$ 828,883
Average Taxable Value	\$ 497,308	\$ 386,054	\$ 473,148	\$ 358,837	\$ 431,409	\$ 328,255
Average Tax Bill	\$ 10,376.58	\$ 6,556.85	\$9,225.66	\$ 5,319.95	\$ 9,693.95	\$ 6,355.37

Williamson County Average Homestead Tax Bill Example

WILLIAMSON COUNTY DATA

	2021	2022	2023	2024
HOMESTEAD ONLY				
Average Market Value	377,519	558,227	486,770	492,282
Average Assessed Value	354,117	410,456	441,157	471,380
Average Taxable Value	345,594	396,570	416,687	446,438
Average Total Tax Bill	7,606.07	8,042.93	7,450.01	8,153.32
HOMESTEAD AND O65				
Average Market Value	358,692	524,108	467,885	472,108
Average Assessed Value	333,661	375,877	412,017	443,888
Average Taxable Value	284,522	313,966	338,285	369,545
Average Total Tax Bill	5,080.68	5,230.35	3,888.08	4,221.91
HOMESTEAD AND DP				
Average Market Value	304,912	453,465	401,965	405,220
Average Assessed Value	280,383	314,891	345,944	373,948
Average Taxable Value	236,959	257,437	277,623	305,016
Average Total Tax Bill	4,099.99	4,123.33	2,897.80	3,056.32

Tarrant County Average Homestead Tax Bill Example

Tarrant County Tax Office
 Average Values and Tax Bills for Fort Worth ISD Resident - Homestead and Over 65
 TY2022 thru TY2024

Year	Average ISD Market Value*	Average ISD Appraised Value*	ISD Homestead Exemption	Average ISD Taxable Value of Homestead	ISD Over 65 Exemption	Average ISD Taxable Value of Over 65 Homestead	Average Total Homestead Tax Bill	Average Total Over 65 Homestead Tax Bill
2022	\$ 235,913	\$ 217,819	\$ 40,000	\$ 177,819	\$ 50,000	\$ 167,819	\$ 4,839.39	\$ 4,123.48
2023	\$ 287,613	\$ 251,000	\$ 100,000	\$ 151,000	\$ 110,000	\$ 141,000	\$ 4,176.31	\$ 3,402.64
2024	\$ 295,902	\$ 267,816	\$ 100,000	\$ 167,816	\$ 110,000	\$ 157,816	\$ 4,383.06	\$ 3,484.33

*Average Market and Appraised Values of Fort Worth ISD Single Family Home per Tarrant Appraisal District Certified Roll Documents

Appendix B

Summary of ARPA and CARES funds received and allocated by urban counties.

State and Local Fiscal Recovery Funds Report As of 04/2024

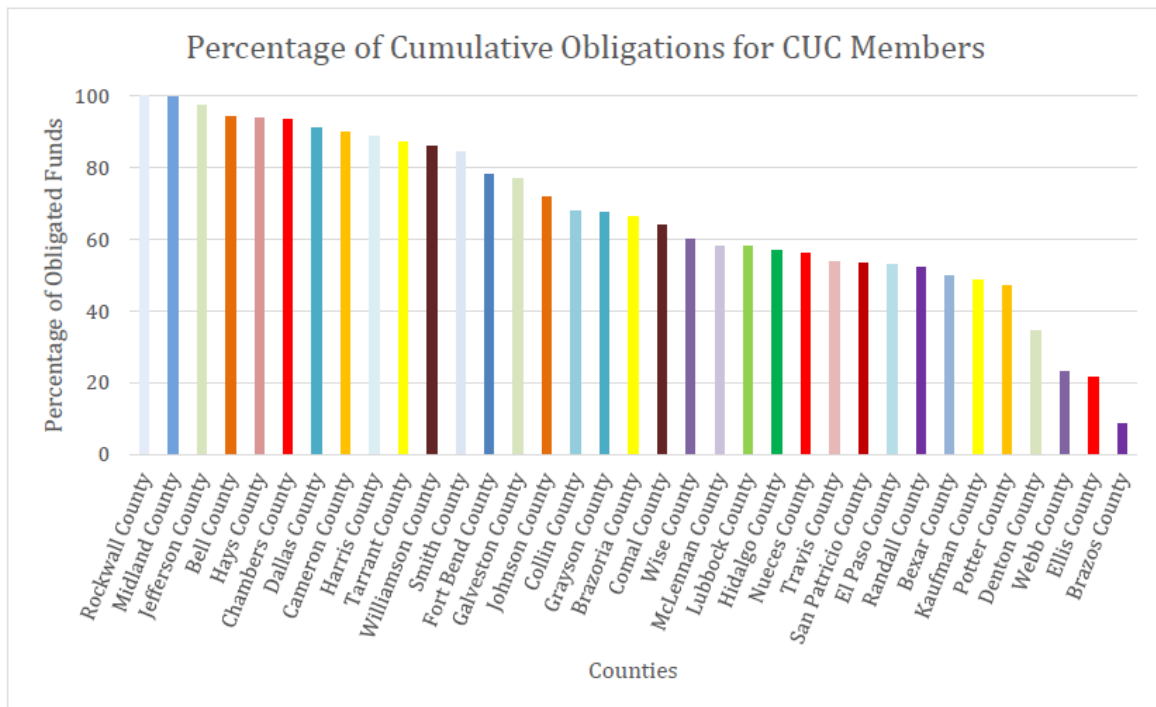
CUC Member Counties - Summary Report

The American Rescue Plan Act (ARPA), enacted in March 2021, provided substantial financial support to state, local, tribal, and territorial governments to address the continued economic and public health impacts of the COVID-19 pandemic. Through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), ARPA allocated \$350 billion to help governments respond to the pandemic, support economic recovery, and address disparities in communities hit hardest by the crisis. The funds must be obligated by December 31, 2024, with all expenditures required to be completed by December 31, 2026. This extended timeline ensures that recipients have adequate time to plan and execute effective recovery strategies.

Total Summary for All CUC Member Counties

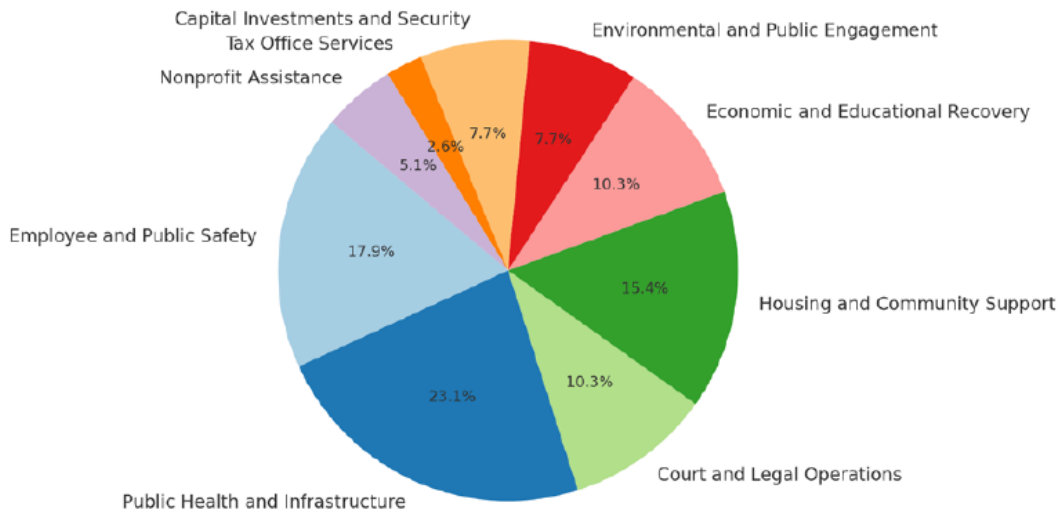
Total Cumulative Obligations: \$3,222,990,462.36

Total Cumulative Expenditures: \$1,893,324,160.78

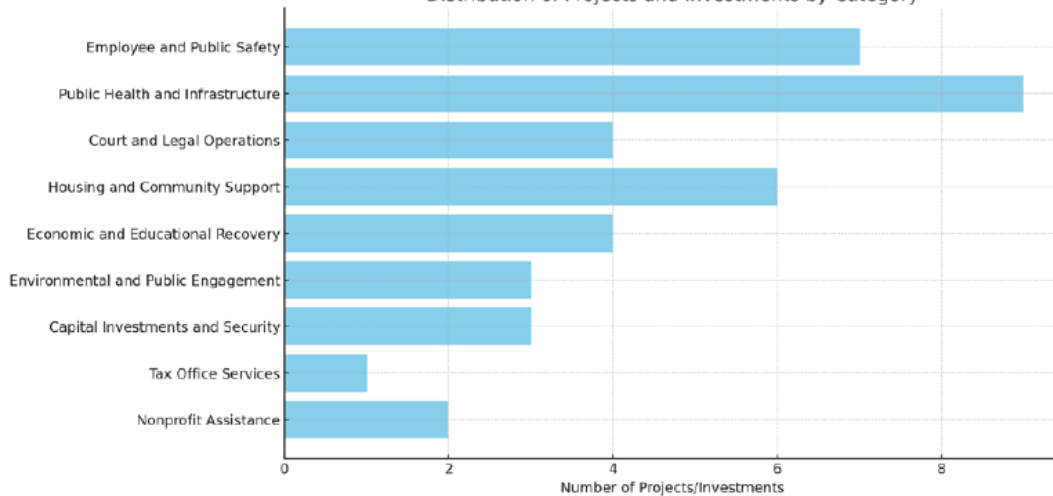


State and Local Fiscal Recovery Funds Report As of 04/2024

Percentage Distribution of Projects and Investments by Category



Distribution of Projects and Investments by Category



County	Allocation	Adopted Budget	Total Cumulative Obligations	Total Cumulative Expenditures
Bell County	\$70,493,732	70,493,732	66,594,948	50,888,925
Bexar County	\$389,166,877	286,765,397	193,981,741	109,714,533
Brazoria County	\$72,696,394	65,566,328	48,382,513	22,418,034
Brazos County	\$44,521,550	21,891,959	3,830,969	590,547
Cameron County	\$82,194,452	74,502,718	74,031,997	46,338,519
Chambers County	\$8,514,823	6,830,715	7,966,978	6,413,523
Collin County	\$200,984,172	200,984,172	136,432,390	26,192,818
Comal County	\$30,341,767	30,341,767	19,383,923	3,236,973
Dallas County	\$511,918,088	510,444,497	466,159,581	309,081,681

State and Local Fiscal Recovery Funds Report As of 04/2024

County	Allocation	Adopted Budget	Total Cumulative Obligations	Total Cumulative Expenditures
Denton County	\$172,329,559	59,802,164	59,802,164	45,748,652
El Paso County	\$163,012,143	155,669,335	86,282,872	64,040,413
Ellis County	\$35,900,284	8,173,929	7,788,721	5,331,138
Fort Bend County	\$157,660,879	157,421,889	123,307,952	119,594,392
Galveston County	\$66,456,490	66,456,490	51,258,357	35,826,704
Grayson County	\$26,457,584	26,457,584	17,919,888	12,757,479
Harris County	\$915,508,128	915,508,128	811,620,793	410,888,130
Hays County	\$44,711,903	36,705,991	41,914,491	32,540,406
Hidalgo County	\$212,973,405	199,713,111	121,131,617	88,536,243
Jefferson County	\$48,863,552	48,216,644	47,692,583	9,088,916
Johnson County	\$34,150,391	1,419,687	24,584,801	24,584,801
Kaufman County	\$26,446,318	8,257,637	12,917,976	12,678,445
Lubbock County	\$60,324,387	49,678,438	35,036,976	33,558,102
McLennan County	\$49,846,009	29,002,094	29,002,094	26,714,703
Midland County	\$34,347,543	0	34,292,825	32,219,806
Nueces County	\$70,371,362	68,398,727	39,618,690	22,941,031
Potter County	\$22,806,487	10,241,007	10,779,084	10,581,860
Randall County	\$26,749,136	0	13,964,992	13,964,992
Rockwall County	\$20,378,509	19,226,242	20,378,509	1,480,202
San Patricio County	\$12,961,520	12,256,378	6,915,580	3,875,798
Smith County	\$45,209,153	38,911,279	38,237,924	21,256,992
Tarrant County	\$408,388,891	408,388,891	356,308,407	230,055,682
Travis County	\$247,450,630	206,946,125	133,001,458	57,571,095
Webb County	\$53,736,408	53,398,242	12,421,153	4,428,857
Williamson County	\$114,707,609	112,825,773	98,835,836	24,714,571
Wise County	\$13,593,572	13,593,572	8,178,749	6,597,423

CFR EXPENDITURES

PRIME RECIPIENT	Payment Amount	Total Cost Incurred	Percent Spent	Payroll for public health and safety employees	Budgeted personnel and services diverted to a substantially different use	Improve telework capabilities of public employees	Medical expenses	Public health expenses	Distance learning	Economic support	Expenses ass. tax anticipation notes	Administrative expenses
TEXAS OFFICE OF THE GOVERNOR	\$8,038,314,291	\$8,014,254,827	100%	\$428,632,469	\$19,007,180	\$15,990,252	\$492,478,597	\$36,284,743	\$295,759,508	\$7,832,045	\$0	(\$1,349,463)
CITY OF SAN ANTONIO	\$269,983,717	\$269,983,717	100%				\$1,622,185	\$15,292,584	\$420,000	\$11,980,098		
BEXAR	\$79,626,415	\$76,663,496	96%	\$822,025		\$3,634,029	\$1,031,923	\$3,087,511	\$2,921,844	\$546,322		\$2,045,992
COLLIN	\$171,453,156	\$171,453,156	100%	\$56,397,704	\$202,243	\$4,805,073	\$3,223,575	\$2,785,240	\$87,498	\$496,446		\$1,293,056
CITY OF DALLAS	\$234,443,128	\$228,999,217	98%			\$27,742,812	\$2,123,127	\$38,347,431	\$1,885,802	\$313,000		\$88,426
DALLAS	\$239,952,373	\$239,952,373	100%	\$17,137,810	\$53,890	\$3,974,911	\$154,316	\$22,724,523		\$31,334,111		\$520,883
DENTON	\$147,733,722	\$147,733,722	100%	\$31,165,527	\$0	\$1,368,883	\$0	\$2,959,535	\$159,409	\$1,825,326		\$595,886
CITY OF EL PASO	\$118,956,279	\$118,956,279	100%	\$87,000		\$923,516	\$46,085,807	\$11,568,838		\$5,215,165		\$2,469,217
EL PASO	\$27,484,280	\$27,484,280	100%	\$262,716	\$11,931	\$446,709	\$406,730	\$2,845,348	\$379,263	\$3,327,112		\$473,555
FORT BEND	\$134,262,394	\$134,262,394	100%	\$10,583,286	\$4,135	\$1,347,926	\$585,589	\$1,675,564	\$1,421,184	\$1,126,616		\$11,052,369
CITY OF HOUSTON	\$404,868,873	\$404,868,873	100%			\$22,344,930	\$1,540,589	\$112,165,911				\$7,318,363
HARRIS	\$425,942,656	\$425,942,656	100%	\$25,235,304	\$119,307	\$96,177		\$964,306	\$46,028,974	\$70,052,816		\$14,854,923
HIDALGO	\$151,582,673	\$151,582,673	100%	\$68,990,098	\$3,474,046	\$2,368,364	\$4,781,676	\$9,228,203	\$22,571,211	\$719,817		(\$209,586)
MONTGOMERY	\$104,983,285	\$104,983,285	100%			\$3,695,323		\$1,870,306	\$35,479,357			\$68,383
FORT WORTH	\$158,715,568	\$158,715,568	100%	\$556,280		\$1,812,563	\$165,725	\$9,444,418	\$619,127	\$4,183,894		\$338,095
TARRANT	\$209,816,857	\$209,816,857	100%	\$47,018,177	\$8,310,999	\$5,375,728	\$2,000,333	\$13,247,582	\$947,834	\$1,098,713		\$1,156,223
CITY OF AUSTIN	\$170,811,897	\$157,024,299	92%							\$8,401,875		
TRAVIS	\$61,147,507	\$61,147,507	100%			\$2,224,731		\$7,980,740		\$2,340,000		\$1,622,685
WILLIAMSON	\$93,382,340	\$90,012,709	96%			\$3,956,104		\$5,895,282	\$959,986	\$6,609,248		\$289,318
Counties	\$1,847,367,657	\$1,841,035,108		\$257,612,647	\$12,176,550	\$33,293,960	\$12,184,142	\$75,264,140	\$110,956,559	\$119,476,526	\$0	\$33,763,687
Cities	\$1,357,779,462	\$1,338,547,954		\$643,280	\$0	\$52,823,822	\$51,537,433	\$186,819,181	\$2,924,929	\$30,094,031	\$0	\$10,214,101
State	\$8,038,314,291	\$8,014,254,827		\$428,632,469	\$19,007,180	\$15,990,252	\$492,478,597	\$36,284,743	\$295,759,508	\$7,832,045	\$0	(\$1,349,463)
Total	\$11,243,461,411	\$11,193,837,889		\$686,888,396	\$31,183,730	\$102,108,033	\$556,200,173	\$298,368,064	\$409,640,996	\$157,402,602	\$0	\$42,628,324
Grand Total of All CARES ACT Funding	\$149,956,359,982	\$149,797,672,391		\$9,234,282,165	\$1,630,198,880	\$1,970,370,877	\$4,938,521,613	\$9,352,647,311	\$7,080,155,130	\$9,733,949,916	\$196,166,390	\$1,341,514,369

The Coronavirus Relief Fund (CRF), established under the CARES Act in March 2020, was a critical financial resource designed to help state, local, tribal, and territorial governments manage the immediate impacts of the COVID-19 pandemic. Initially, CRF allocations provided \$150 billion to address necessary expenditures incurred due to the public health emergency. Governments were originally required to utilize these funds by December 30, 2020. However, recognizing the ongoing challenges posed by the pandemic, the deadline was extended to December 31, 2021, allowing recipients additional time to effectively deploy resources in response to the crisis.

Appendix C

Texas Association of Appraisal District Circuit Breaker Value Loss Data

How much value was capped in your county due to the new 23.231 circuit breaker	CAD name
\$4,530,578,974	Dallas CAD
\$2,746,044,848	Nueces CAD
\$2,667,910,055	Harris CAD
\$2,276,207,178	Hidalgo CAD
\$2,056,792,125	Travis CAD
\$1,845,083,289	Galveston CAD
\$1,552,512,497	Cameron Appraisal District
\$1,011,542,299	El Paso CAD
\$918,797,374	Fort Bend CAD
\$846,156,013	Tarrant Appraisal District
\$704,788,836	Webb
\$654,605,307	MARTIN
\$649,569,528	Denton Central Appraisal District
\$640,451,897	Brazoria CAD
\$613,410,049	Midland CAD
\$573,524,142	Smith CAD
\$500,665,062	Collin Central Appraisal District
\$488,809,593	Bexar AD
\$478,494,327	HOWARD CAD
\$450,728,337	Williamson
\$389,673,240	Burleson CAD
\$360,744,578	Jefferson
\$299,455,388	Loving CAD
\$281,950,527	Upton Cad
\$271,677,880	Ellis Appraisal District
\$256,882,847	Grayson
\$249,929,704	Victoria Central Appraisal District
\$240,129,531	DeWitt
\$239,528,180	HAYS CAD
\$226,557,971	094 Guadalupe
\$226,557,971	Guadalupe
\$206,423,129	Llano CAD
\$200,802,144	Starr CAD
\$200,579,465	Rockwall Central Appraisal District
\$197,889,345	KAUFMAN
\$197,889,345	Kaufman CAD
\$196,214,371	Jackson

\$189,862,219	Colorado CAD
\$189,289,163	COLORADO CAD
\$187,838,928	Potter-Randall
\$177,514,693	Atascosa
\$176,658,618	Wilson CAD
\$169,510,444	Nacogdoches
\$158,032,654	ANDREWS
\$152,839,193	McLennan
\$151,742,026	Glasscock
\$151,448,671	Live Oak CAD
\$144,364,177	Bell CAD
\$143,256,155	Cherokee CAD
\$142,314,197	Tom Green
\$137,373,579	Cooke
\$136,387,650	Coleman CAD
\$134,009,412	Brazos CAD
\$129,761,487	Washington CAD
\$127,877,503	Fayette CAD
\$125,183,701	Fannin
\$120,077,746	Real CAD
\$119,680,320	Gregg
\$110,736,908	Chambers
\$110,736,908	CHAMBERS
\$108,409,033	Uvalde CAD
\$104,189,270	Houston County Appraisal District
\$96,612,348	Lee
\$87,902,196	Ector
\$83,930,542	Burnet
\$83,030,367	Hopkins
\$82,518,020	WALLER
\$80,809,921	Jasper County Appraisal District
\$77,744,373	Hunt
\$75,287,832	Caldwell
\$74,731,667	Orange County Appraisal District
\$74,079,691	Montague County Tax Appraisal District
\$72,607,894	Young CAD
\$71,378,854	Bosque
\$70,391,405	Franklin CAD
\$69,962,754	Franklin CAD
\$66,554,715	Gaines
\$64,435,740	Scurry CAD
\$64,041,768	Calhoun

\$64,034,889	Medina CAD
\$63,818,455	Borden
\$62,347,686	Taylor CAD
\$62,200,302	Taylor CAD
\$62,013,868	Van Zandt
\$61,690,014	Milam Appraisal District
\$57,740,494	Val Verde CAD
\$56,998,038	Mills CAD
\$56,028,231	Liberty
\$55,374,645	Duval CAD
\$53,138,070	Eastland
\$51,596,075	Wichita Appraisal District
\$51,250,807	Angelina CAD
\$49,985,633	Rusk County Appraisal District
\$49,697,585	Hood CAD
\$44,851,762	ZAVALA CAD
\$43,898,963	Grimes CAD
\$42,809,402	Lavaca
\$41,258,212	Culberson
\$39,696,442	Blanco CAD
\$38,756,219	Polk
\$37,065,088	Erath
\$34,994,072	Carson
\$32,981,550	Wilbarger CAD
\$32,420,961	Hill CAD
\$32,324,096	Jack
\$31,000,000	Haskell CAD
\$30,519,350	Bee County Appraisal District
\$25,447,767	FALLS
\$25,308,907	Hardeman CAD
\$25,258,015	Brewster CAD
\$24,931,295	Crockett
\$23,422,849	Anderson CAD
\$21,583,814	Hemphill CAD
\$21,078,749	Titus CAD
\$21,078,749	Titus CAD
\$20,599,116	Kimble
\$20,263,733	Archer CAD
\$20,153,829	Rains
\$19,854,701	Stephens CAD
\$19,775,360	Wheeler CAD
\$18,591,596	Kerr CAD
\$17,833,290	Marion

\$17,770,269	PRESIDIO CAD
\$17,232,222	Hamilton CAD
\$16,824,353	Goliad CAD
\$16,602,626	SAN AUGUSTINE
\$16,020,151	GARZA
\$15,862,111	Runnels
\$15,434,393	Comanche Central Appraisal District
\$14,752,058	Moore
\$12,992,630	Sherman
\$12,868,650	San Augustine CAD
\$12,753,003	San Jacinto
\$12,438,833	Camp CAD
\$12,431,079	LIPSCOMB
\$11,512,695	Coryell CAD
\$11,508,010	THROCKMORTON CAD
\$11,365,675	Edwards Central Appraisal District
\$9,268,353	Mason
\$9,142,780	Gillespie CAD
\$8,617,047	Sterling County Appraisal District
\$8,573,958	Morris
\$8,146,370	San Saba CAD
\$7,566,950	Dickens
\$6,449,600	Roberts CAD
\$6,415,540	King CAD
\$5,204,741	Callahan
\$4,067,379	HUDSPETH
\$3,435,577	Shackelford CAD
\$2,743,052	Dallam
\$2,091,716	Kenedy County
\$1,961,740	Stonewall CAD
\$1,527,320	Hall CAD
\$693,610	Bailey Central Appraisal District
\$308,009	Terrell
\$290,570	Armstrong CAD
<hr/>	

TOTAL: \$37,325,217,837

Appendix D

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

For Immediate Release
Thursday, July 13, 2023

State of Texas
Texas Senate



11451 Katy Freeway, Suite 209
Houston, Texas 77079
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“Texas-sized” Record \$18 billion Tax reduction bill finally passes, Texas taxpayers WIN!!!

Senator Paul Bettencourt unanimously passes HJR 2 out of the Texas Senate

Austin, TX – Senator Paul Bettencourt (R-Houston) sponsored House Joint Resolution 2 authored by Representative Will Metcalf (R-Conroe), the constitutional amendment for Senator Bettencourt’s \$18 billion property tax relief bills, SB 2 & SB 3. HJR 2 passed the entire Senate unanimously with bipartisan support 31-0. Then the House of Representatives passed the bills SB 2 133-4, and SB 3 131-5, with a two-thirds majority, and sent them to Governor Greg Abbott (R-Texas) next for his signature review.

“It’s a ‘Texas-sized’ 18 billion dollar property tax reduction! But wait, we’re not done yet! It’s another 300 million dollars for doubling the franchise tax exemption so it’s truly a record,” remarked Senator Bettencourt.

HJR 2, by Rep. Metcalf passed the House 132-5, will put the following on the November 7, 2023, ballot for Texas voters to approve.

- Increase Texas homestead exemption to \$100k on 5.72 million Texas homeowner’s ISD property tax bills, effective on this year’s property tax bill.
- Approve a “catch-up” for over-65 and disabled for the \$15k homestead exemption increase adjustment from May 2022 state-wide election.
- Approve non-homesteaded real property valued at \$5 million and under will receive a 20% circuit-breaker on appraised value increases as a 3-year pilot project. The constitutional circuit breaker will sunset Dec. 31, 2026.
- Three county citizens will be elected county-wide to each County Appraisal Districts (CAD board) of directors in non-partisan positions. The CAD board of directors will now select Appraisal Review Board (ARB) members, in each county of 75k population or greater.
- Make sure property tax relief does not count towards constitutional spending limit.

“The ‘Texas Two-Step’ of \$100k homestead exemption and a 23.8% m&M property tax rate reduction means the average Texas homestead will see a 41.5% or \$1373 per year in savings. Every residential and commercial property owner will see huge tax savings this fall. The final approval will be the voters of the State of Texas on November 7, 2023.” Added Senator Bettencourt.

The final bill of the 18 billion dollars of property tax reduction, HJR 2, just passed the Senate xx-7, so the let the people vote on November 7, 2023!

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

For Immediate Release
Monday, July 24, 2023

State of Texas
Texas Senate



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Senator Paul Bettencourt's \$18 billion property tax plan is now signed by Governor Greg Abbott
"Texas-sized" SB 2 & SB 3 increases homestead exemption to \$100k, plus doubles franchise tax exemption
Final approval for largest property tax reduction in history will come from the voters of Texas on November 7

Austin, TX – Senator Paul Bettencourt (R-Houston), reacts to Governor Greg Abbott (R-Texas) signing the largest property tax reduction plan in Texas history. Now the final approval for this historic \$18 billion Property Tax Reduction Plan lays with the voters of Texas when they vote on HJR 2 on November 7, 2023. "My Texas "two-step," **SB 2**, will provide a \$100k homestead exemption and a 23.8% M&O property tax rate reduction. That means every residential and commercial property owner will see **HUGE** tax savings this fall, with the average Texas homestead seeing 41.5% or \$1373/year in savings," said Senator Bettencourt. "But wait there's more! **SB 3** doubles the franchise tax exemption, removing 67k businesses from paying the tax," he added.

HJR 2, by Representative Will Metcalf (R-Conroe) passed the Senate unanimously 31-0, and the House 132-5 during the 88th second Special Session. It will put the following on the November 7, 2023, ballot for Texas voters to approve:

- Increase Texas homestead exemption to \$100k on 5.72 million Texas homeowner's ISD property tax bills, effective on this year's property tax bill.
- Approve a "catch-up" for over-65 and disabled for the \$15k homestead exemption increase adjustment from May 2022 state-wide election.
- Approve non-homesteaded real property valued at \$5 million and under will receive a 20% circuit-breaker on appraised value increases as a 3-year pilot project. The constitutional circuit breaker will sunset Dec. 31, 2026.
- Three county citizens will be elected county-wide to each County Appraisal Districts (CAD board) of directors in non-partisan positions. The CAD board of directors will now select Appraisal Review Board (ARB) members, in each county of 75k population or greater.
- Make sure property tax relief does not count towards constitutional spending limit

"This is a fantastic package for Texas taxpayers! The only thing left is for Texas voters to vote on Record \$18 billion Property Tax Reduction Plan on November 7th!" Concluded Senator Bettencourt. See previous press releases for more information:

["Texas-sized" Record \\$18 billion Tax reduction bill finally passes. Texas taxpayers WIN!!!](#)

[Senator Paul Bettencourt bills, Texas largest Property Tax Cut, Pass Senate Unanimously!](#)

[Senator Paul Bettencourt files the Largest Property Tax Cut Bill SB 2 in the State's History & SB 3!](#)

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

For Immediate Release
Wednesday, August 9, 2023

State of Texas
Texas Senate



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Senator Paul Bettencourt's Huge property tax reduction bill is ceremonially signed into law!
Voters have final approval on Proposition 4, the record \$18 billion property tax bill on November 7, 2023

Austin, TX – Senator Paul Bettencourt (R-Houston) spoke at the ceremonial bill signing of his “Texas-sized” \$18 billion property reduction plan, SB 2 (88th 2nd Special Session) at the Atrium Center in New Caney, Texas on Wednesday August 9, 2023. Other speakers at the bill signing included Governor Greg Abbott (R-Texas), Lt. Governor Dan Patrick (R-Texas), House Speaker Dade Phelan (R-Beaumont), and Representative Morgan Meyer (R- Highland Park). Senator Bettencourt commended all the leadership.

“**Governor Abbott just signed the biggest state property tax cut in the world! It’s a fabulous 18 billion dollar tax reduction bill and every Texan will see HUGE savings on their fall tax bill,**” stated Senator Bettencourt. “**It’s on the November 7th ballot as proposition 4 so, let the people vote!**” He added.

Senator Bettencourt’s SB 2, known as the “Texas Two-Step,” will increase the homestead exemption to \$100,000 for all 5.72 million Texas homestead owners. Texas homestead owners that are over-65 or disabled will have their frozen tax bill unfrozen and then recalculated with the increased homestead exemption plus the additional 23.8% M&O property tax rate compression and then refrozen at the lower amount. These eye-popping savings are retroactive and will apply to 2023 ISD tax bills.

While the Texas Senate and House overwhelmingly passed SB 2 it’s the Texas voters who will have the final approval of this historic property tax relief package on November 7th, 2023. The Secretary of State’s Office assigned proposition numbers to all the Constitutional amendments that will be on the ballot. HJR 2, by Rep. Will Metcalf (R-Conroe) will be Proposition 4 on the November 7th ballot.

Proposition 4 contains the following:

- Increase Texas homestead exemption to \$100k on 5.72 million Texas homeowner’s ISD property tax bills, effective on this year’s property tax bill.
- Approve a “catch-up” for over-65 and disabled for the \$15k homestead exemption increase adjustment from May 2022 state-wide election.
- Approve non-homesteaded real property valued at \$5 million and under will receive a 20% circuit-breaker on appraised value increases as a 3-year pilot project. The constitutional circuit breaker will sunset Dec. 31, 2026.
- Three county citizens will be elected county-wide to each County Appraisal Districts (CAD board) of directors in non-partisan positions. The CAD board of directors will now select Appraisal Review Board (ARB) members, in each county of 75k population or greater.
- Make sure property tax relief does not count towards constitutional spending limit.

“**This is an enormous deal for Texas homestead homeowners over a lifetime! Regular homeowner ISD tax bills will be cut by \$1,312.67 by year two. Multiply that by 30 years and that’s a total of \$39,369.10 in property tax cuts. For over-65 and disabled homeowners by year two will receive \$1,482.67 multiplied by 15 years is a total of \$22,240.05 These are life-changing savings!**” Concluded Senator Bettencourt.

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

For Immediate Release
Tuesday, November 7, 2023

State of Texas
Texas Senate



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Supermajority of Texans have voted FOR Proposition 4, \$18 billion of Property Tax Reduction!

Texas Taxpayers WIN as \$100k Homestead Exemption & M&O property tax rate cut is approved!
Prop. 4 currently one of the top two results statewide above 80%

Austin, TX – Senator Paul Bettencourt (R-Houston) lauds the passage of Proposition 4 by Representative Will Metcalf (R-Conroe) and Senator Bettencourt, the constitutional amendment for Senator Bettencourt's \$18 billion property tax reduction bill, SB 2. The "Texas Two-Step" with the \$100,000 homestead exemption and 18% decrease in M&O property tax rate compression is cited as the largest property tax reduction package in the world. But wait there's more as SB 3, also by Senator Bettencourt doubles the franchise tax exemption, taking 67,000 Texas businesses off the franchise tax roll beginning in 2024. All Texas Taxpayers, both homeowners and business owners will benefit from tax reduction. The bill, HJR 2, passed unanimously in the Texas Senate and passed the Texas House 132-5.

"This is record property tax reduction in the United States! There is one State in the Union that just voted for \$18.1 billion of property tax reduction, Prop. 4, and that's the State of Texas! As I predicted, Proposition 4 was passed tonight by a supermajority of voters because of the State's surplus they will see eye-popping savings!" Stated Senator Bettencourt.

Today, Texas voters approved Proposition 4 which includes the following:

- Increases Texas homestead exemption to \$100,000 on 5.72 million Texas homeowner's ISD property tax bills effective on this year's property tax bill, and approves a "catch-up" for over-65 and disabled for the \$15,000 homestead exemption increase adjustment from the May 2022 state-wide election. Plus, an 18% decrease in the M&O property tax rate compression.
- Three county citizens will be elected county-wide in May of 2024 to join each County Appraisal Districts (CAD board) of directors in non-partisan positions. The elected CAD board of directors will now help select Appraisal Review Board (ARB) members in each county with 75,000 population or greater.
- Approves non-homesteaded real property valued at \$5 million and under to receive a 20% circuit-breaker on appraised value increases as a 3-year pilot project. The constitutional circuit breaker will sunset Dec. 31, 2026, however, the constitutional fund set up to fund SB 2's property tax cut will remain evergreen.

"Fighting for property tax reform is something Lt. Governor Dan Patrick and I have been doing together for almost 20 years in the making. To have all of everyone's hard work pay off, it's fantastic to see the public finally getting the property tax reduction they have always wanted and deserved. It's great to give people their money back from excess budget collections." Concluded Senator Bettencourt.

Now with the passage of Proposition 4, SB 2 will be retroactively in effect as of January 1, 2023 and the changes will be on Texas Taxpayers' Fall property tax bill. SB 3 goes into effect January 1, 2024.

Senator Bettencourt is in his District Office for comments/zoom calls this evening (713) 464-0282.

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

For Immediate Release
Thursday, December 28, 2023

State of Texas
Texas Senate



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Feedback from Taxpayers on ISD Property Tax reductions is overwhelmingly positive!
Those making payments in 2023 are astonished by reductions from SB2/Proposition 4.

Austin, TX – Senator Paul Bettencourt (R-Houston) released the following statement after receiving a constant number of positive comments regarding 2023 ISD property tax bills.

As taxpayers pay their property taxes at the close of 2023 they are noticing the very good news that their ISD property tax bills are DOWN as promised in SB2 this year. Many of those who are paying their tax bills in December itemize their IRS deductions, and they are astonished by the thousand plus dollars they are paying less due to the passage of Proposition 4 in November.

"We've had phone calls at my office from very happy taxpayers of \$900, \$1100, \$3500, and up to \$5000 savings. Everyone I have spoken with has had at least hundreds of dollars of savings. Even in areas of voter-approved bond debt rate hikes, the overall ISD property tax bill is CUT due to the combination of ISD M&O tax rate reductions and the increased \$100k homestead exemption. It's great to hear!" Stated Senator Bettencourt.

Property Tax bills are posted online by counties or in the mail for the vast majority of accounts statewide. The bill should indicate how much savings occurs and if not you can flip the tax bill over to see the year-to-year compression on school taxes.

"It's a one thing to pass a record \$18.1 Billion of record property tax relief, but it's another thing to get these calls telling me it's working nearly everywhere in Texas! If you're not seeing it on your Homestead or business ISD property tax bill, give my office a call so we can check it out. There are some homeowners now paying ZERO on their ISD property tax bills, and you can't get any lower number than that!" He concluded.

Homeowners with escrow accounts should see a ISD property tax reduction as their mortgage companies should have received lower property tax bills in advance of the January 31, 2024 property tax payment deadline. Approximately half of homeowners use mortgage escrow accounts.

See previous Press Releases below:

[Senator Paul Bettencourt bills, Texas largest Property Tax Cut, Pass Senate Unanimously!](#)

["Texas-sized" Record \\$18 billion Tax reduction bill finally passes. Texas taxpayers WIN!!!](#)

[Senator Paul Bettencourt's Huge property tax reduction bill is ceremonially signed into law!](#)

[Supermajority of Texans have voted FOR Proposition 4, \\$18 billion of Property Tax Reduction!](#)

[Senator Paul Bettencourt named "2023 Legislator of the Year" at ALEC's National Policy Summit](#)

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

For Immediate Release
Friday, January 12, 2024

**State of Texas
Texas Senate**



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Texas Taxpayers are astonished after seeing their ISD tax bill savings!
Over-65 & Disabled homeowners are seeing the biggest reduction in their tax bills per my SB2.

Austin, TX – Senator Paul Bettencourt (R-Houston) released the following statement regarding 2023 ISD property tax bills.

"I'm hearing from the Harris County Tax Assessor-Collector's office that they are receiving calls from homeowners in disbelief that their ISD property tax bill is so low. In fact, I'm told that some seniors have elected to send more money than they actually owe! You can't make this stuff up, LOL!" Stated Senator Bettencourt.

Property Tax bills are posted online by counties or in the mail for the vast majority of accounts statewide. The bill should indicate how much savings occurs and if not you can flip the tax bill over to see the year-to-year compression on school taxes.

"My Senate office is receiving a steady stream of calls from the over-65 and disabled homeowners in joyous disbelief because they are paying ZERO dollars on their ISD property tax bill! You can't get a lower number than zero!" He concluded.

"It is a real privilege to serve the Texas taxpayers, and to see the long hours of session come from fruition to results is what makes being a Texas Senator the best job. I am ecstatic to hear just how much people are savings on their property tax bills."

These tangible savings are not a one cut as the public voted 83.44% for Proposition 4 to put the 100,000 homestead exemption into the Texas Constitution, implement a 20% three year circuit breaker on al commercial property, and start another property tax reduction fund.

Homeowners with escrow accounts should see a ISD property tax reduction as their mortgage companies should have received lower property tax bills in advance of the January 31, 2024 property tax payment deadline. Approximately half of homeowners use mortgage escrow accounts.

See previous Press Releases below:

["Texas-sized" Record \\$18 billion Tax reduction bill finally passes, Texas taxpayers WIN!!!](#)

[Senator Paul Bettencourt's Huge property tax reduction bill is ceremonially signed into law!](#)

[Supermajority of Texans have voted FOR Proposition 4, \\$18 billion of Property Tax Reduction!](#)

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

UPDATED
For Immediate Release
Wednesday, January 24th, 2024

State of Texas
Texas Senate



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County Appraisal District Board of Directors candidates filing deadline is February 16, 2024
CAD Board of Director elections are only applicable to the 50 most populous counties in Texas

Austin, TX – In the 2nd called Special Session of the 88th Legislature, Senator Bettencourt (R-Houston) passed a Texas-sized record \$18.1 billion property tax cut for all Texas homeowners and business owners. Senator Bettencourt as the author of SB 2 and as Senate sponsor of HJR 2 (authored by Rep. Will Metcalf, R-Conroe), which became Proposition 4 that the public overwhelmingly ratified by 83.44% on the November ballot. HJR 2 contained a provision that three citizens will be elected county-wide in the top 50 counties that are above 75,000 in population in May of 2024 to join each County Appraisal District's (CAD) board of directors in non-partisan positions.

"Proposition 4's and SB 2's record property tax relief has gotten positive accolades from taxpayers all across the state. But wait, there's more! Prop. 4 also contained a provision for the first election of CAD Board members. Since the Peveto bill 45 years ago, there's never been direct elected representation on the Appraisal District Board of Directors." said Senator Bettencourt.

The filing deadline for candidates running for these unpaid positions in all 50 counties is on February 16, 2024. The filing fee for a place on the ballot is \$400 for a county with a population of 200,00 or more and \$200 for a county with a population between 75,000 and 200,000. The 50 most populous counties in Texas are; Harris, Dallas, Tarrant, Bexar, Travis, Collin, Denton, Hidalgo, El Paso, Fort Bend, Montgomery, Williamson, Cameron, Brazoria, Bell, Nueces, Galveston, Lubbock, Webb, McLennan, Jefferson, Hays, Smith, Brazos, Ellis, Johnson, Guadalupe, Midland, Comal, Ector, Parker, Kaufman, Taylor, Randall, Grayson, Wichita, Gregg, Tom Green, Potter, Rockwall, Hunt, Bastrop, Liberty, Bowie, Victoria, Angelina, Orange, Coryell, Henderson, Walker Counties.

"I am grateful the legislature passed this landmark appraisal district reform package last year for the first time since the creation of central appraisal districts in 1979. With the newly elected appraisal district board members and the 20% circuit breaker on non-homesteaded property, citizens have gained accountability and predictability in their appraisal system. I thank Senator Bettencourt for his partnership on this historic legislation." said Representative Will Metcalf.

"SB 2 was passed unanimously in the Senate and nearly so in the House using language to make these 3 elected positions non-partisan ones, like school trustees. By the end of 2024, the CAD governing board will consist of nine board members including the elected tax assessor, five taxing unit positions, and now three new citizen positions which is a balanced CAD board. However, they do not set appraisal district values, that is exclusively the role of the chief appraiser. If you are interested in interviewing ARB members, property valuation in general, or serving your county community, citizen taxpayers should consider filing for this newly elected position." Concluded Senator Bettencourt.

The CAD board of directors is responsible for the governance of the CAD, including the hiring of the chief appraiser, and adopting the CAD's annual budget. These 3 members will be intricately involved in the interviewing and selecting of these Appraisal Review Board (ARB) members in each county with a 75,000 population or greater. Two out of three of these members must approve ARB hirings. ARBs review property valuation appeals filed by taxpayers and decide whether to keep that valuation or change it.

For additional information on CAD board elections please see the Texas Secretary of State's Election Advisory: <https://www.sos.state.tx.us/elections/laws/advisory2023-24.shtml>

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

For Immediate Release
Wednesday, February 21, 2024

State of Texas
Texas Senate



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Texas Business and Property Owners Seeing \$4.5 Billion Yearly Savings Thanks to SB 2 and SB 3
Savings are credited to SB2 Property Tax Rate Reductions & SB3 Franchise Tax Exemption Increase

Austin, TX – In the 2nd called Special Session of the 88th Legislature in 2023, Senator Bettencourt (R-Houston) passed SB 2, which provided historic property tax reductions, and SB 3, which doubled the franchise tax exemption taking around 67,000 Texas small and mid-sized businesses (SMBs) off the franchise tax roll, and eliminated the requirement to file a 'No Tax Due' form. SB 3 also eliminated the administrative burden of filing a 'No Tax Due' franchise tax return for 2.178 million SMBs. Senator Bettencourt was the author of SB 2 and SB 3, which were sponsored in the House by Representatives Myer and Geren, respectively, and passed the Senate unanimously and in the House by large margins.

"The great news is that we are not only seeing homeowners benefit from property tax reduction, but also Texas business owners! SB 3 has doubled the franchise tax exemption eliminating franchise tax liability for about 67,000 small to midsize business owners," stated Senator Bettencourt.

SB 2 is providing non-homestead property owners an office estimated \$4.2 billion per year of school district tax rate compression, and SB 3 is providing \$300 million per year of franchise tax relief. This comes to a total of \$4.5 billion per year in tax relief for Texas business and property owners.

Senator Tan Parker, the SB 3 joint author, emphasized the additional time and money businesses will be saving under the new law, stating: **"We have given businesses across Texas an entire day of their time back by eliminating the burdensome administrative calculations and paperwork they would have had to file even with No Tax Due. These franchise tax savings, alongside one of the largest ISD tax rate reductions in Texas history, demonstrate the real and significant commitment the legislature has made to keep Texas the number one state for business in the country."**

The benefits for franchise taxpayers are being realized alongside historical tax reductions in SB 2. 2023 actual data on the reduction in total tax rates in Texas' largest counties is outlined in the chart below:

SB 2 Property Tax Rate Reductions by Urban County	2022 Tax Rate Total	2023 Tax Rate Total	Difference of Property Tax Rates	ISD Tax Rate Reduction	ISD % Change
Bexar County Taxing Entities	\$ 2.70965	\$ 2.49279	\$ (0.21686)	\$ (0.2164)	-15.1931%
Dallas County Taxing Entities	\$ 2.50038	\$ 2.29478	\$ (0.20560)	\$ (0.1711)	-14.4396%
El Paso County Taxing Entities	\$ 2.96015	\$ 2.76623	\$ (0.19392)	\$ (0.1766)	-13.4429%
Harris County Taxing Entities	\$ 2.24382	\$ 2.01481	\$ (0.22901)	\$ (0.1689)	-16.2842%
Tarrant County Taxing Entities	\$ 2.59960	\$ 2.26277	\$ (0.33683)	\$ (0.2192)	-17.1036%
Travis County Taxing Entities	\$ 1.97501	\$ 1.80925	\$ (0.16577)	\$ (0.1371)	-13.7568%

"According to this chart, in the six major urban counties the reduction on the entire tax bill of cities, counties, and special districts is between 16.6 to 33.7 pennies, and on just ISDs alone the changes look like the ISD tax rate reductions are between 13.4 to 17.1 percent. It's a great realization knowing that Texas renters will get to see savings passed down to them in declining markets. This is one of those rare situations where the state can provide tax reduction without shifting the property tax burden. Everyone wins!" concluded Senator Bettencourt.

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
(512) 463-0107

For Immediate Release
Monday, May 13, 2024

State of Texas
Texas Senate



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Texas Business and Property Owners Save \$4.5 Billion due to Senator's SB 2 & 3
Sen. Bettencourt's SB 3 Franchise Tax Exemption Increase & SB 2 Property Tax Rate Cuts are credited
Deadline to file Franchise Tax Payment is Wednesday, May 15, 2024

Austin, TX – In the 2nd called Special Session of the 88th Legislature in 2023, Senator Bettencourt (R-Houston) passed SB 2, which provided historic property tax reductions, and SB 3, which doubled the franchise tax exemption taking around 67,000 Texas small and mid-sized businesses (SMBs) off the franchise tax roll and eliminated the requirement to file a 'No Tax Due' form. SB 3 also eliminated the administrative burden of filing a 'No Tax Due' franchise tax return for 2.178 million SMBs. Senator Bettencourt was the author of SB 2 and SB 3, which were sponsored in the House by Representatives Myer and Geren, respectively, and passed the Senate unanimously and in the House by large margins.

"With SB 2 and SB 3, we were able to provide not only homeowners with tax savings but also our small and mid-sized businesses! SB 3 has doubled the franchise tax exemption eliminating franchise tax liability for about 67,000 small to midsize business owners. This exemption, combined with the elimination of filing burdens, creates huge yearly savings for our SMBs. Don't forget to check your franchise tax bill this year, because you might not have one!" stated Senator Bettencourt.

Franchise tax reports are due Wednesday, May 15th. Effective for reports due in 2024, taxable entities with total revenue at or below the 'No Tax Due' threshold are no longer required to file a Franchise Tax Report but must continue to file an information report each year.

Senator Tan Parker, the SB 3 joint author, emphasized the additional time and money businesses will be saving under the new law, stating: **"We have given businesses across Texas an entire day of their time back by eliminating the burdensome administrative calculations and paperwork they would have had to file even with No Tax Due. These franchise tax savings, alongside one of the largest ISD tax rate reductions in Texas history, demonstrate the real and significant commitment the legislature has made to keep Texas the number one state for business in the country."**

SB 2 is providing non-homestead property owners an office estimated \$4.2 billion per year of school district tax rate compression, and SB 3 is providing \$300 million per year of franchise tax relief. This comes to a total of \$4.5 billion per year in tax relief for Texas businesses and property owners.

"The benefits for franchise taxpayers are being realized alongside historical tax reductions in SB 2. In the six major urban counties, the reduction on the entire tax bill of cities, counties, and special districts looks to be between 16.6 to 33.7 pennies, and on just ISDs alone the changes look like the ISD tax rate reductions are between 13.4 to 17.1 percent. This is one of those rare situations where the state can provide tax reductions without shifting the property tax burden. Everyone wins!" concluded Senator Bettencourt.

###

Senator Paul Bettencourt - SD 7
State Capitol, Austin, Texas
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For Immediate Release
Wednesday, May 22, 2024

State of Texas
Texas Senate



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Chairman Bettencourt and Local Government Committee Heard Squatting Horror Stories
Homeowners will be able to "Come and Take It Back" from Squatters
Third party testifies 475 squatting cases in Dallas Alone!

Austin, TX – Wednesday, May 15th, the Senate Committee on Local Government chaired by Senator Paul Bettencourt held a hearing to discuss securing Texas against "Squatters". Lt. Gov. Dan Patrick assigned this interim charge before the committee ahead of the 2025 legislative session. During the hearing, the Senate heard invited and public testimonials from victims of squatters and listened to proposed solutions.

"I invited the public from all over the state to tell their horror squatter stories and proposed solutions. This should not be happening in Texas. We are going to make it easy for homeowners and business owners to "Come and Take it Back" from squatters," said Senator Bettencourt.

David Howard, Executive Director of The National Rental Home Council stated they surveyed their members in both Atlanta and Dallas/Ft. Worth. Their survey concluded around 1,200 squatting cases in Atlanta and 475 cases in the Dallas/Ft. Worth area for example. COH Councilman Fred Flickinger testified that there are many squatters and informers over 65 property tax deferred payment homes in his district. Cpt. Jim Sharmon, Harris County Constable Pct. 4, stated there are 100's of cases a year in just 1 of the 8 Harris County Constable Precincts. "This means there are possibly thousands of squatting cases in Harris County and up to ten thousand in the State of Texas in my estimate," said Senator Bettencourt.

"We, the families who are raising the next American generation, need protection," said Yudith Mendez during her testimony, as she blamed San Antonio Police Department for not offering more support and coming to her and her husband's defense when trying to get their home back from squatters". "It's extremely alarming this happened to them," said Harris County Constable Cpt. Daniel Garza.

Tracy Jaso of the Texas Apartment Association and a Property Manager for complexes in San Antonio told her horror story of being confronted by a squatter when she was doing a routine inspection of her empty units. This squatter later came back brandishing a weapon and finally the San Antonio Police Department arrested him. "I've only been here for about 20 minutes, and I'm outraged," said Sen. Lois Kolkhorst said at the hearing.

Squatters also turned Terri Boyette's, Mesquite, Texas home into a "drug den" and sold her possessions at a yard sale while she was caring for her sick mother in another state. Boyette was asked if this was her boyfriend occupying the home, to which she responded "Look, I may not be in my prime, but I don't have to date crackheads yet". Even after multiple encounters, the Mesquite Police Department refused to arrest the squatter.

After Ms. Boyette's testimony, Senator West promptly took Ms. Boyette during the hearing, alongside Senator Hall, to his office to call the Mesquite City Manager and Chief of Police. Ms. Boyette made her first call to 311 which the department claims to have no record of that call and made several 911 calls which the department did receive per a statement received by the committee.

"Miss Boyette testified there was a burglary. This "crackhead" then entered the property and sold her belongings from the front yard for "drug money", then JP Margaret O'Brien refused to evict the squatter over the holidays citing lack of concern on where he would go! Really? We are going to increase criminal penalties, give law enforcement the tools they need, and set-up "rocket docket" for Justices of the Peace to evict squatters," concluded Senator Bettencourt.

###

Appendix E

The Committee recommends that the following template language from the House Special Purpose District Committee, 85th Legislature Interim Report, be used as a baseline for the legislative creation of municipal management districts (MMDs). Included below with the MMD template language is additional language that the Committee recommends be used if additional powers are being granted to a district. The Committee notes that the inclusion of any of these additional powers in legislation creating new MMDs necessitates additional legislative scrutiny by the Committee and its staff. Additionally, the Committee will require a cover sheet listing a synopsis of a proposed district's powers be submitted with each bill proposing the creation of a new district.

PROPOSED MMD TEMPLATE LANGUAGE

By: _____ .B. No. _____

A BILL TO BE ENTITLED AN

ACT

relating to the creation of the _____ [[[name of district]]]; providing authority to issue bonds; providing authority to impose assessments, fees, and taxes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle C, Title 4, Special District Local Laws Code, is amended by adding Chapter _____ to read as follows:

CHAPTER _____ .

SUBCHAPTER A. GENERAL PROVISIONS Sec.

.0001. DEFINITIONS. In this chapter: (1) "Board"
means the district's board of directors.

(2) "City" means the [[name of municipality]].

(3) "County" means [[name of county]]. [[A
definition of the county in which the district is located is
unnecessary if the bill does not include language about the
county]]

() "Director" means a board member. ()

"District" means the [[name of district]].

Sec. .0002. NATURE OF DISTRICT. The [[name of district]]
is a special district created under Section 59, Article XVI,
Texas Constitution.

Sec. .0003. PURPOSE; DECLARATION OF INTENT. (a) The
creation of the district is essential to accomplish the purposes
of Sections 52 and 52-a, Article III, and Section 59, Article
XVI, Texas Constitution, and other public purposes stated in this
chapter.

(b) By creating the district and in authorizing [[select as
appropriate]] the county, the city, and other political
subdivisions to contract with the district, the legislature has

established a program to accomplish the public purposes set out in Section 52-a, Article III, Texas Constitution.

(c) The creation of the district is necessary to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, and the public welfare in the district.

(d) This chapter and the creation of the district may not be interpreted to relieve *[[select as appropriate]]* the county or the city from providing the level of services provided as of the effective date of the Act enacting this chapter to the area in the district. The district is created to supplement and not to supplant *[[select as appropriate]]* county or city services provided in the district.

Sec. .0004. FINDINGS OF BENEFIT AND PUBLIC PURPOSE. (a) All land and other property included in the district will benefit from the improvements and services to be provided by the district under powers conferred by Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution, and other powers granted under this chapter.

(b) The district is created to serve a public use and benefit.

(c) The creation of the district is in the public interest and is essential to further the public purposes of:

(1) developing and diversifying the economy of the

state;

(2) eliminating unemployment and underemployment; and

(3) developing or expanding transportation and commerce.

(d) The district will:

(1) promote the health, safety, and general welfare of

residents, employers, potential employees, employees, visitors, and consumers in the district, and of the public;

(2) provide needed funding for the district to preserve, maintain, and enhance the economic health and vitality of the district territory as a community and business center;

(3) promote the health, safety, welfare, and enjoyment

of the public by providing pedestrian ways and by landscaping and developing certain areas in the district, which are necessary for the restoration, preservation, and enhancement of scenic beauty;

and

(4) provide for water, wastewater, drainage, road, and

recreational facilities for the district.

(e) Pedestrian ways along or across a street, whether at grade or above or below the surface, and street lighting, street

landscaping, parking, and street art objects are parts of and necessary components of a street and are considered to be a street or road improvement.

(f) The district will not act as the agent or instrumentality of any private interest even though the district will benefit many private interests as well as the public.

Sec. .0005. INITIAL DISTRICT TERRITORY. (a) The district is initially composed of the territory described by Section 2 of the Act enacting this chapter.

(b) The boundaries and field notes contained in Section 2 of the Act enacting this chapter form a closure. A mistake in the field notes or in copying the field notes in the legislative process does not affect the district's:

- (1) organization, existence, or validity;
- (2) right to issue any type of bonds for the purposes for which the district is created or to pay the principal of and interest on the bonds;
- (3) right to impose or collect an assessment or tax;
or
- (4) legality or operation.

Sec. .0006. ELIGIBILITY FOR INCLUSION IN SPECIAL ZONES. All or any part of the area of the district is eligible to be included in:

- (1) a tax increment reinvestment zone created under

Chapter 311, Tax Code; or

(2) a tax abatement reinvestment zone created under Chapter 312, Tax Code.

Sec. .0007. APPLICABILITY OF MUNICIPAL MANAGEMENT DISTRICTS LAW. Except as otherwise provided by this chapter, Chapter 375, Local Government Code, applies to the district.

Sec. .0008. CONSTRUCTION OF CHAPTER. This chapter shall be liberally construed in conformity with the findings and purposes stated in this chapter.

SUBCHAPTER B. BOARD OF DIRECTORS Sec.

.0051. GOVERNING BODY; TERMS.

Sec. .0052. INITIAL DIRECTORS.

SUBCHAPTER C. POWERS AND DUTIES

Sec. .0101. GENERAL POWERS AND DUTIES. The district has the powers and duties necessary to accomplish the purposes for which the district is created.

Sec. .0102. IMPROVEMENT PROJECTS AND SERVICES. (a) The district, using any money available to the district for the purpose, may provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service authorized under this chapter or Chapter 375, Local Government Code.

(b) The district may contract with a governmental or private entity to carry out an action under Subsection (a).

(c) The implementation of a district project or service is a governmental function or service for the purposes of Chapter 791, Government Code.

Sec. .0103. LAW ENFORCEMENT SERVICES. To protect the public interest, the district may contract with a qualified party, including *[[[select as appropriate]]]* the county or the city, to provide law enforcement services in the district for a fee.

Sec. .0104. MEMBERSHIP IN CHARITABLE ORGANIZATIONS. The district may join and pay dues to a charitable or nonprofit organization that performs a service or provides an activity consistent with the furtherance of a district purpose.

Sec. .0105. ECONOMIC DEVELOPMENT PROGRAMS. (a) The district may engage in activities that accomplish the economic development purposes of the district.

(b) The district may establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the district, including programs to:

(1) make loans and grants of public money; and (2) provide district personnel and services.

(c) The district may create economic development programs and exercise the economic development powers provided to municipalities by:

(1) Chapter 380, Local Government Code; and

(2) Subchapter A, Chapter 1509, Government Code.

Sec. .0106. PARKING FACILITIES. (a) The district may acquire, lease as lessor or lessee, construct, develop, own, operate, and maintain parking facilities or a system of parking facilities, including lots, garages, parking terminals, or other structures or accommodations for parking motor vehicles off the streets and related appurtenances.

(b) The district's parking facilities serve the public purposes of the district and are owned, used, and held for a public purpose even if leased or operated by a private entity for a term of years.

(c) The district's parking facilities are parts of and necessary components of a street and are considered to be a street or road improvement.

(d) The development and operation of the district's parking facilities may be considered an economic development program.

Sec. .0107. ADDING OR EXCLUDING LAND. The district may add or exclude land in the manner provided by Subchapter J, Chapter 49, Water Code, or by Subchapter H, Chapter 54, Water Code.

Sec. .0108. DISBURSEMENTS AND TRANSFERS OF MONEY. The board by resolution shall establish the number of directors'

signatures and the procedure required for a disbursement or transfer of district money.

Sec. .0109. NO EMINENT DOMAIN POWER. The district may not exercise the power of eminent domain.

SUBCHAPTER D. ASSESSMENTS

Sec. .0151. PETITION REQUIRED FOR FINANCING SERVICES AND IMPROVEMENTS WITH ASSESSMENTS. (a) The board may not finance a service or improvement project with assessments under this chapter unless a written petition requesting that service or improvement has been filed with the board.

(b) A petition filed under Subsection (a) must be signed by the owners of a majority of the assessed value of real property in the district subject to assessment according to the most recent certified tax appraisal roll for the county.

Sec. .0152. ASSESSMENTS; LIENS FOR ASSESSMENTS. (a) The board by resolution may impose and collect an assessment for any purpose authorized by this chapter in all or any part of the district.

(b) An assessment, a reassessment, or an assessment resulting from an addition to or correction of the assessment roll by the district, penalties and interest on an assessment or reassessment, an expense of collection, and reasonable attorney's fees incurred by the district:

(1) are a first and prior lien against the property

assessed;

(2) are superior to any other lien or claim other than a lien or claim for county, school district, or municipal ad valorem taxes; and

(3) are the personal liability of and a charge against the owners of the property even if the owners are not named in the assessment proceedings.

(c) The lien is effective from the date of the board's resolution imposing the assessment until the date the assessment is paid. The board may enforce the lien in the same manner that the board may enforce an ad valorem tax lien against real property.

(d) The board may make a correction to or deletion from the assessment roll that does not increase the amount of assessment of any parcel of land without providing notice and holding a hearing in the manner required for additional assessments.

SUBCHAPTER E. TAXES AND BONDS

Sec. .0201. TAX ELECTION REQUIRED. The district must hold an election in the manner provided by Chapter 49, Water Code, or, if applicable, Chapter 375, Local Government Code, to obtain voter approval before the district may impose an ad valorem tax.

Sec. .0202. OPERATION AND MAINTENANCE TAX. (a) If authorized by a majority of the district voters voting at an election under Section .0201, the district may impose an operation and maintenance tax on taxable property in the district

in the manner provided by Section 49.107, Water Code, for any district purpose, including to:

- (1) maintain and operate the district;
- (2) construct or acquire improvements; or
- (3) provide a service.

(b) The board shall determine the operation and maintenance tax rate. The rate may not exceed the rate approved at the election.

Sec. .0203. AUTHORITY TO BORROW MONEY AND TO ISSUE BONDS AND OTHER OBLIGATIONS. (a) The district may borrow money on terms determined by the board.

(b) The district may issue bonds, notes, or other obligations payable wholly or partly from ad valorem taxes, assessments, impact fees, revenue, contract payments, grants, or other district money, or any combination of those sources of money, to pay for any authorized district purpose.

(c) The limitation on the outstanding principal amount of bonds, notes, or other obligations provided by Section 49.4645, Water Code, does not apply to the district.

Sec. .0204. BONDS SECURED BY REVENUE OR CONTRACT PAYMENTS. The district may issue, without an election, bonds secured by:

- (1) revenue other than ad valorem taxes, including contract revenues; or

(2) contract payments, provided that the requirements of Section 49.108, Water Code, have been met.

Sec. .0205. BONDS SECURED BY AD VALOREM TAXES; ELECTIONS.

(a) If authorized at an election under Section .0201, the district may issue bonds payable from ad valorem taxes.

(b) Section 375.243, Local Government Code, does not apply to the district.

(c) At the time the district issues bonds payable wholly or partly from ad valorem taxes, the board shall provide for the annual imposition of a continuing direct annual ad valorem tax, without limit as to rate or amount, for each year that all or part of the bonds are outstanding as required and in the manner provided by Sections 54.601 and 54.602, Water Code.

(d) All or any part of any facilities or improvements that may be acquired by a district by the issuance of its bonds may be submitted as a single proposition or as several propositions to be voted on at the election.

Sec. .0206. CONSENT OF MUNICIPALITY REQUIRED. (a) The board may not issue bonds until each municipality in whose corporate limits or extraterritorial jurisdiction the district is located has consented by ordinance or resolution to the creation of the district and to the inclusion of land in the district.

(b) This section applies only to the district's first issuance of bonds payable from ad valorem taxes.

SUBCHAPTER Z. DISSOLUTION

Sec. .0901. DISSOLUTION. (a) The board shall dissolve the district on written petition filed with the board by the owners of:

(1) 66 percent or more of the assessed value of the property subject to assessment by the district based on the most recent certified county property tax rolls; or

(2) 66 percent or more of the surface area of the district, excluding roads, streets, highways, utility rights-of-way, other public areas, and other property exempt from assessment by the district according to the most recent certified county property tax rolls.

(b) The board by majority vote may dissolve the district at any time.

(c) The district may not be dissolved by its board under Subsection (a) or (b) if the district:

(1) has any outstanding bonded indebtedness until that bonded indebtedness has been repaid or defeased in accordance with the order or resolution authorizing the issuance of the bonds;

(2) has a contractual obligation to pay money until that obligation has been fully paid in accordance with the contract; or

(3) owns, operates, or maintains public works, facilities, or improvements unless the district contracts with another person for the ownership, operation, or maintenance of the public works, facilities, or improvements.

(d) Sections 375.261, 375.262, and 375.264, Local Government Code, do not apply to the district.

SECTION 2. The *[[[name of district]]]* initially includes all territory contained in the following area:

[[[description of district territory]]]

SECTION 3. (a) The legal notice of the intention to introduce this Act, setting forth the general substance of this Act, has been published as provided by law, and the notice and a copy of this Act have been furnished to all persons, agencies, officials, or entities to which they are required to be furnished under Section 59, Article XVI, Texas Constitution, and Chapter 313, Government Code.

(b) The governor, one of the required recipients, has submitted the notice and Act to the Texas Commission on Environmental Quality.

(c) The Texas Commission on Environmental Quality has filed its recommendations relating to this Act with the governor, lieutenant governor, and speaker of the house of representatives within the required time.

(d) All requirements of the constitution and laws of this state and the rules and procedures of the legislature with respect to the notice, introduction, and passage of this Act have been fulfilled and accomplished.

SECTION 4. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect *[[effective date]]*.

OPTIONAL ADDITIONAL POWERS

Sec. .0110. NONPROFIT CORPORATION. (a) The board by resolution may authorize the creation of a nonprofit corporation to assist and act for the district in implementing a project or providing a service authorized by this chapter.

(b) The nonprofit corporation:

(1) has each power of and is considered to be a local government corporation created under Subchapter D, Chapter 431, Transportation Code; and

(2) may implement any project and provide any service authorized by this chapter.

The board shall appoint the board of directors of the nonprofit corporation. The board of directors of the nonprofit corporation shall serve in the same manner as the board of directors of a local government corporation created under Subchapter D, Chapter 431, Transportation Code, except that a board member is not required to reside in the district.

Sec. .0111. NAVIGATION DISTRICT POWERS. (a) The district has the powers provided by the general law of this state applicable to navigation districts created under Section 59, Article XVI, Texas Constitution, including Chapters 60 and 62, Water Code.

(b) The district may purchase, construct, acquire, own, operate, maintain, improve, or extend, inside and outside the district, a canal, waterway, bulkhead, dock, or other improvement or facility necessary or convenient to accomplish the navigation purposes of the district.

SUBCHAPTER F. SALES AND USE TAX

Sec. .0251. APPLICABILITY OF CERTAIN TAX CODE PROVISIONS.

(a) Chapter 321, Tax Code, governs the imposition, computation, administration, enforcement, and collection of the sales and use tax authorized by this subchapter except to the extent Chapter 321, Tax Code, is inconsistent with this chapter.

(b) For the purposes of this subchapter, a reference in Chapter 321, Tax Code, to a municipality or the governing body of a municipality is a reference to the district or the board, respectively.

Sec. .0252. ELECTION; ADOPTION OF TAX. (a) The district may adopt a sales and use tax if authorized by a majority of the voters of the district voting at an election held for that purpose.

(b) The board by order may call an election to authorize the adoption of the sales and use tax. The election may be held on any uniform election date and in conjunction with any other district election.

(c) The district shall provide notice of the election and shall hold the election in the manner prescribed by Section .0201.

(d) The ballot shall be printed to provide for voting for or against the proposition: "Authorization of a sales and use tax in the [[[name of district]]] at a rate not to exceed percent" (insert rate of one or more increments of one-eighth of one percent).

Sec. .0253. SALES AND USE TAX RATE. (a) After the date the results are declared of an election held under Section .0252 at which the voters authorized imposition of a tax, the board shall provide by resolution or order the initial rate of the tax, which must be in one or more increments of one-eighth of one percent.

(b) After the authorization of a tax under Section .0252, the board may increase or decrease the rate of the tax by one or more increments of one-eighth of one percent.

(c) The board may not decrease the rate of the tax if the decrease would impair the repayment of any outstanding debt or obligation payable from the tax.

(d) The initial rate of the tax or any rate resulting from subsequent increases or decreases may not exceed the lesser of:

(1) the maximum rate authorized at the election held under Section .0252; or

(2) a rate that, when added to the rates of all sales and use taxes imposed by other political subdivisions with territory in the district, would result in the maximum combined rate prescribed by Section 321.101(f), Tax Code, at any location in the district.

(e) In determining whether the combined sales and use tax rate under Subsection (d)(2) would exceed the maximum combined rate prescribed by Section 321.101(f), Tax Code, at any location in the district, the board shall include:

(1) any sales and use tax imposed by a political subdivision whose territory overlaps all or part of the district;

(2) any sales and use tax to be imposed by the city or the county as a result of an election held on the same date as the election held under Section .0252; and

(3) any increase to an existing sales and use tax imposed by the city or the county as a result of an election held on the same date as the election held under Section .0252.

(f) If the district adopts a sales and use tax authorized at an election under Section .0252 and subsequently includes new territory in the district, the district:

(1) is not required to hold another election to approve the imposition of the sales and use tax in the included territory;

and

(2) shall impose the sales and use tax in the included territory as provided by Chapter 321, Tax Code.

(g) If the district adopts a sales and use tax authorized at an election held under Section .0252 and subsequently excludes territory in the district under this section, the sales and use tax is inapplicable to the excluded territory as provided by Chapter 321, Tax Code, but is applicable to the territory remaining in the district.

Sec. .0254. NOTIFICATION OF RATE CHANGE. The board shall notify the comptroller of any changes made to the tax rate under this subchapter in the same manner the municipal secretary provides notice to the comptroller under Section 321.405(b), Tax Code.

Sec. .0255. USE OF REVENUE. Revenue from the sales and use tax imposed under this subchapter is for the use and benefit of the district and may be used for any district purpose. The district may pledge all or part of the revenue to the payment of bonds, notes, or other obligations, and that pledge of revenue may be in combination with other revenue, including tax revenue, available to the district.

Sec. .0256. ABOLITION OF TAX. (a) Except as provided by Subsection (b), the board may abolish the tax imposed under this subchapter without an election.

(b) The board may not abolish the tax imposed under this subchapter if the district has any outstanding debt or obligation secured by the tax, and repayment of the debt or obligation would be impaired by the abolition of the tax.

(c) If the board abolishes the tax, the board shall notify the comptroller of that action in the same manner the municipal secretary provides notice to the comptroller under Section 321.405(b), Tax Code.

(d) If the board abolishes the tax or decreases the tax rate to zero, a new election to authorize a sales and use tax must be held under Section .0252 before the district may subsequently impose the tax.

SUBCHAPTER H. DIVISION OF DISTRICT INTO MULTIPLE DISTRICTS

Sec. .0351. DIVISION OF DISTRICT; PREREQUISITES. (a) The district may be divided into two or more new districts only if the district:

- (1) has never issued any bonds; and
- (2) is not imposing ad valorem taxes.

(b) the board may adopt an order dividing the district before or after the date the board holds an election under Subchapter B to confirm the creation of the district.

Sec. .0352. LAW APPLICABLE TO NEW DISTRICT. This chapter applies to any new district created by division of the district, and a new district has all the powers and duties of the district.

Sec. .0353. LIMITATION ON AREA OF NEW DISTRICT. A new district created by the division of the district may not, at the time the new district is created, contain any land outside the area described by Section 2 of the Act enacting this chapter.

Sec. .0354. DIVISION PROCEDURES. (a) The board, on its own motion or on receipt of a petition signed by the owner or owners of a majority of the assessed value of the real property in the district, may adopt an order dividing the district.

(b) An order dividing the district must:

(1) name each new district;

(2) include the metes and bounds description of the territory of each new district;

(3) appoint temporary directors for each new district;

and

(4) provide for the division of assets and liabilities between the new districts.

(c) On or before the 30th day after the date of adoption of an order dividing the district, the district shall file the order with the commission and record the order in the real property records of each county in which the district is located.

(d) Municipal consent to the creation of the district and to the inclusion of land in the district acts as municipal consent to the creation of any new district created by division of the district and to the inclusion of land in the new district.

Sec. .0355. CONFIRMATION ELECTION FOR NEW DISTRICT. (a) A new district created by the division of the district shall hold a confirmation and directors' election as required by Subchapter B.

(b) If the creation of the new district is confirmed, the new district shall provide the election date and results to the Texas Commission on Environmental Quality.

Sec. .0356. TAX OR BOND ELECTION. Before a new district created by the division of the district may impose a tax for which an election is required under this chapter for the original district or issue bonds payable wholly or partly from ad valorem taxes, the new district must hold an election as required by this chapter to obtain voter approval.

SUBCHAPTER I. DEFINED AREAS

Sec. .0401. AUTHORITY TO ESTABLISH DEFINED AREAS OR DESIGNATED PROPERTY. The district may define areas or designate certain property of the district to pay for improvements, facilities, or services that primarily benefit that area or property and do not generally and directly benefit the district as a whole.

Sec. .0402. PROCEDURE FOR ELECTION. (a) Before the district may impose an ad valorem tax applicable only to the defined area or designated property or issue bonds payable from ad valorem taxes of the defined area or designated property, the board shall hold an election in the defined area or designated property only.

(b) The board may submit the proposition to the voters on the same ballot to be used in another election.

Sec. .0403. DECLARING RESULT AND ISSUING ORDER. (a) If a majority of the voters voting at an election held under Section .0402 approve the proposition or propositions, the board shall declare the results and, by order, shall establish the defined area or designated property and describe it by metes and bounds or designate the specific area or property.

(b) A court may not review the board's order except on the ground of fraud, palpable error, or arbitrary and confiscatory abuse of discretion.

Sec. .0404. TAXES FOR SERVICES, IMPROVEMENTS, AND FACILITIES IN DEFINED AREAS OR DESIGNATED PROPERTY. On voter approval and adoption of an order described by Section .0403, the district may apply separately, differently, equitably, and specifically its taxing power and lien authority to the defined area or designated property to provide money to construct, administer, maintain, and operate services, improvements, and

facilities that **primarily** benefit the defined area or designated property.

Sec. .0405. ISSUANCE OF BONDS FOR DEFINED AREA OR DESIGNATED PROPERTY. After an order under Section .0403 is adopted, the district may issue bonds to provide for any land, improvements, facilities, plants, equipment, and appliances for the defined area or designated property.

Appendix F



The Senate of The State of Texas

SENATE COMMITTEES:

VICE CHAIR
Transportation

MEMBER
Education
Finance
Higher Education, Subcommittee
Local Government
Redistricting, Special

Senator Royce West

District 23

President Pro Tempore
2006

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Dial 711 for Relay Calls

December 2, 2024

Hon. Paul Bettencourt, Chairman
Senate Committee on Local Government
Sam Houston Building 475
Austin, Texas 78744

Dear Chairman Bettencourt:

First, I wish to thank you and the Committee staff for the time that it has taken to compile the Interim Report for the Senate Committee on Local Government. It is a comprehensive report that includes information on much of the testimony the Committee heard during the interim.

While I agree with the report's overarching conclusions, including that Texas needs more property tax relief, and that more must be done to ensure Texans have access to affordable housing, there are some recommendations in the report with which I disagree. I have enumerated those below.

INTERIM CHARGE 1

Committee Recommendation: *The Legislature should consider adopting legislation repealing taxing entities' ability to adopt a de minimis tax rate.* I have always been a proponent of the idea that government closest to the people is the best for the people. This recommendation is counterintuitive to this fundamental principal. The de minimis tax rate exists in order to allow taxing jurisdictions maximum flexibility when they face costs that cannot be addressed under a three and a half percent voter-approval tax rate. I do not believe we should be removing flexibility from smaller taxing jurisdiction at a time when cities in Texas are facing more and more unexpected expenses including those associated with disasters such as wildfires and flooding.

INTERIM CHARGE 2

Committee Recommendation: *The 89th Legislature should consider repealing the extra-territorial jurisdiction, taking potential implications for landowners currently residing in an extra-territorial jurisdiction into consideration.* I do not, in any way, favor removing

December 2, 2024

Hon. Paul Bettencourt, Chairman
Senate Committee on Local Government
Sam Houston Building 475
Austin, Texas 78744

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from the books state laws that allow extra-territorial jurisdiction for municipalities. ETJs were created by the Legislature in 1963 to “to promote and protect the general health, safety, and welfare of persons residing in and adjacent to” cities. I believe the ETJ statutes have served us well. While I agree there is a need for more clear language and elimination of statutory conflicts that now exist, we should not throw the baby out with the bathwater simply because there have been problems with some cities and some ETJs. The passage by the 88th Texas Legislature of HJR 126 and HB 1750 (which I co-sponsored), and subsequent passage of HJR 126 by Texas voters has already created protections for farming operations that may come under a city’s expanded ETJ. If more must be done to protect private property or agricultural land in the context of ETJs, the Legislature should explore those protections, and not toss out the entire ETJ concept.

INTERIM CHARGE 4

Committee Recommendation: *The legislature should consider passing legislation strengthening personal property rights....by identifying specific instances of local overregulation to cull...* I am strongly in favor of personal property rights. However, I caution the committee that local government is the government closest to the people, and local government should know best what local citizens want. Therefore, we must be very careful in determining what regulations to “cull” as state preemption of local regulation can cause a domino effect locally that the legislature did not intend.

INTERIM CHARGE 5

Committee Recommendation: *The Legislature should consider passing legislation to expedite eviction proceedings.*

- a. Allow property owners to file affidavit of ownership and be granted ex-parte hearing within 24-48 hours.*
- b. Allow for notice to an offender to be served by posting on property door, do not require notice be served in person or service at alternate address.*
- c. Allow 48-72 hours for offender to provide evidence by affidavit to court of rights to possession (felony penalties for providing false statements).*
- d. Provide for summary disposition in eviction proceedings if there is no genuine issue or fact for the court to resolve at trial. (Additional benefit of clearing docket space, making courts more efficient)*
- e. Provide for immediate grant of writ of possession.*

December 2, 2024

Hon. Paul Bettencourt, Chairman
Senate Committee on Local Government
Sam Houston Building 475
Austin, Texas 78744

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f. Create strict timelines for judicial proceedings, absent agreement of the parties

I have grave concerns about hastily changing the eviction process in Texas, because I do not want to see the eviction process weaponized in legitimate landlord-tenant disputes, and what the Committee recommends here could easily cause that. Specifically, I do not favor allowing an ex parte hearing within 24 hours; both parties should be present at that hearing. I have grave concerns about other changes to the eviction process as well. Although this committee was tasked with “Securing Texans Against Squatters,” I believe changes to eviction procedures should be addressed by the State Affairs or Jurisprudence Committees, as these longstanding statutes have an impact on thousands of Texans each year who find themselves, as landlords or tenants, going through the eviction process.

The Local Government Committee makes these recommendations without having heard from the Office of Court Administration, or the Real Estate, Probate and Trust Law Section of the State Bar of Texas. Both of these should be consulted on anything involving making changes to eviction statutes.

Committee Recommendation: Provide law enforcement tools to immediately remove “squatters.”

- a. Allow property owners to file affidavit stating three criteria: i. The offender has unlawfully entered and remains on the property.*
- ii. The individual has been directed to leave the property by the owner but has not done so; and*
- iii. The individual is not a current or former tenant in legal dispute then law enforcement shall take immediate action to remove a “squatting” individual.*
- iv. Create Penalties for filing false affidavit.*
- v. Allow for law enforcement fee-for-service.*
- vi. Ensure that property owners or their agents are not liable for loss or destruction of personal property in removal, unless found to be wrongfully removed.*

I agree that we must work to secure Texas against squatters. This committee, in fact, heard from one of my constituents about a severe squatting incident in Mesquite, in my district. I am not certain that the changes proposed by the Committee are the best possible approach to securing Texas against squatters. I believe (a) above must be handled very delicately because this could easily be weaponized by an unscrupulous

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Hon. Paul Bettencourt, Chairman
Senate Committee on Local Government
Sam Houston Building 475
Austin, Texas 78744

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landlord. I believe the Committee should look to other states to determine what common-sense solutions have been put in place in other jurisdictions.

Overall, I am in agreement with most of the recommendations made by this report. I would, however, caution the Committee that we must be very careful not to appear as though the Legislature, through this committee, is engaging in an attack on local control. Government closest to the people is best for the people, and I firmly believe that the vast majority of local government entities in this state are well-run, and that the leaders in charge of those local entities understand and deliver what their constituents want. We can maintain regulatory consistency in this state and do so without an unnecessary attack on local ordinances put in place by local government at the behest of local citizens.

Very truly yours,

A handwritten signature in black ink, appearing to read "Royce West". The signature is stylized with a large initial "R" and a long horizontal stroke.

Royce West
State Senator



SARAH ECKHARDT
STATE SENATOR • DISTRICT 14

November 26, 2024

Senator Paul Bettencourt, Chair
Senate Committee on Local Government
Room 475
Sam Houston Building
201 East 14th Street
Austin, TX 78701

Re: Letter of Dissent to LGC Recommendations for the 88th Legislative Session

Hon. Chair Bettencourt:

I am honored to serve on the Local Government Committee. I am deeply committed to fostering productive collaboration between federal, state, and local governments to provide the most effective, efficient, and fair policies for our shared constituencies. However, I must decline adding my signature to the Committee Report.

First, the Committee report assiduously avoids the deep disparity in how the tax burden is distributed in Texas, preferring the mythology that all Texans are tax burdened. In fact, while there are some in our communities that are property tax burdened, Texans who are above the average income have among the lightest tax burden in the nation. According to the Tax Foundation, [Texans are the sixth least tax burdened](#) in the United States when considering combined state and local taxes. And, because of the regressive nature of our tax system (the seventh most regressive in the United States according to the [Institute on Taxation and Economic Policy](#)), wealthy Texans are significantly under-taxed and the middle class and working poor are over-taxed (hence the benefit of the flat-dollar homestead exemption discussed in greater specificity below). In Texas, the wealthiest 1% pay 4.6% of their income in combined state and local taxes. The middle 60% pay 9.5% of their income and the lowest 20% pay 12.8% of their income in state and local taxes. Combined with other costs of living, including increasing housing costs, the regressivity of our taxing structure is unsustainable for an increasing percentage of Texans.

CAPITOL OFFICE:

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sarah.eckhardt@senate.texas.gov



Second, to the extent that the recommendations flow from isolated instances of local ineptitude or corruption for which there are already ample solutions in existing law, the recommendations are disingenuous. The hyperfocus on isolated instances is clearly intended to portray local governments as either inept or corrupt and in need of punishment by a heroic state government. In my experience, local governments have significant oversight and incentive to govern effectively, efficiently, and fairly within the parameters allowed by federal and state law and within the expectations of their local constituencies. In contrast and far from heroic, even the most casual observer of recent state actions has witnessed a disturbing lack of transparency, unchecked conflicts of interest, and an unwillingness to address well-documented ineptitude and corruption at the state level.

Finally, many of the conclusions and recommendations in the Report are not supported by the testimony, the members' questions, or easily obtainable and objective facts while other obvious solutions that were soundly supported in testimony by multiple parties are excluded. I list specific concerns below (arranged according to subject) with suggested solutions for inclusion noted in italics.

PROPERTY TAXES

Recommendations to pursue even deeper exemptions to local property taxes, undermine voters in tax ratification elections, and add further burdensome and unfunded reporting mandates on local governments that are less about governing than about punishment.

The state prioritized property tax reductions last session and a preponderance of witnesses corroborated that meaningful tax reductions have been achieved in homestead and small business personal property. Pursuing further reductions in property taxes risks the quality and availability of local services that residents and businesses depend upon to thrive.

The Committee seeks to remedy what it sees as over-regulation at the local level by over-regulating at the state level. Recommendations to place more burdensome and unfunded reporting requirements on local governments will drive up costs to local governments and their taxpayers without effectively improving transparency or accountability.

Recommendations to restrict bond elections for school districts illustrate a troubling distrust of the voters and taxpayers. The state has imposed VATRE to place additional tax increases in the hands of voters. A bond election is no different. The will of the voters should be respected.

Not included - Effective oversight of special districts. While the state has focused on restricting the taxing authority of cities, counties, and school districts, other taxing authorities like special purpose districts have proliferated and largely escaped oversight, imposing tax rates that are both less transparent and less accountable to local voters.

Not included - Discretionary flat-dollar homestead exemption for cities and counties.

Witnesses repeatedly mentioned the benefit of a local option flat-dollar homestead exemption to provide the same relief to taxpayers achieved through the celebrated increase in the school

district flat-dollar homestead exemption to \$100,000. Cities and counties that replace their percentage homestead exemption with a flat-dollar exemption could provide more relief to those most burdened by property taxes, increase the accessibility of first-time homebuyers to affordable properties, and improve the estimation of their future tax base by applying the predictable flat-dollar exemption (in contrast to a floating percentage of fluctuating market value).

I suggest the following recommended solutions:

1. *Reduce the state's reliance on local school district property taxes by increasing the state's share of public education investment through a higher basic allotment for K-12 education that is indexed to inflation so that it does not erode in buying power.*
2. *Allow counties, municipalities, and any special taxing districts tied to them (e.g. hospital districts) the discretion to adopt a flat-dollar homestead exemption in lieu of a percentage-of-value homestead exemption.*
3. *Study the relationship between increased special taxing districts and increased density in unincorporated portions of the state, and evaluate state policies and funding to curtail or address the demand for city-level infrastructure and services in high-growth unincorporated portions of the state.*
4. *Require approval by county commissioners courts for the creation of any special taxing districts wholly or partially within the county.*
5. *Require approval by county commissioners courts for the ad valorem and sales tax exemption of development projects pursued by PFCs or HFCs operating outside of their jurisdiction.*

ETJs

Recommendations to further restrict local governments' ability to plan for growth will continue to backfire. Rather than planning for growth in collaboration with local governments, the state largely shirks its responsibility to plan or pay for growth while it restricts or punishes local governments for trying to plan or pay for growth. Removing properties from the regulatory purview of municipalities simply places the regulatory expectation on counties, which the state has not given the authority or the funding mechanisms to manage increasingly dense development. Unlike cities, counties do not have the authority to provide zoning, transit, fire response, emergency medical response, water and wastewater infrastructure, or trash and debris removal. Encouraging increasingly dense development to remove itself from municipal regulation is good for the developer but not for the resident who will end up paying for the infrastructure and services through a special entity formed for that purpose (proliferating at an alarming rate) or risk lower health and safety and thereby lower property values for the lack of such infrastructure and services.

The committee and testimony expressed concern for the proliferation of special taxing entities, like MUDs and PIDs. And yet, the demand for these special taxing entities is driven by the

state's continued war on cities. Assuming the state will continue its aggression toward cities, I suggest the following recommended solution:

Study the relationship between increased special taxing districts and increased density in unincorporated portions of the state, and evaluate state policies and funding to curtail or address the demand for city-level infrastructure and services in high-growth unincorporated portions of the state.

DIRECTLY DISTRIBUTED FEDERAL FUNDING

Recommendations to insert the state into the oversight of direct federal funding to local governments is redundant. Local government spending of directly distributed federal funding is highly regulated. If done poorly, the federal government is well-equipped to take action. To the extent that local governments use the funds in a manner outside of Texas constitutional or statutory authority, the state already has recourse.

HOUSING AFFORDABILITY

Recommendations to increase housing affordability through the preemption of local authority may have unintended consequences and ignore more effective tools directly available to the state for increasing housing affordability. I appreciate that housing affordability is a concern of the state and this committee. The state has long enjoyed relatively affordable housing, making Texas an attractive option for corporate relocation thereby fueling rapid economic growth in recent decades.

I concede that some local restrictions are the product of large-lot single-family home preferences that are now unsustainable in light of rapid population growth. But, cities are already adjusting in the right direction in order to satisfy the economic demand for housing that is within the financial reach of their average resident. Local control is far more responsive and nimble in a dynamic economic climate than clumsy, top-down, one-size-fits-all state regulation.

Not included - Direct investment by the state in the production of affordable housing stock. Testimony revealed that the vast majority of funding for affordable housing comes from federal and local sources and only a de minimis amount from state funding. Further, the state owns considerable and deeply underutilized acreage within urban and rapidly urbanizing areas of the state.

I suggest the following recommended solutions:

1. *Evaluate state-owned property in the Metropolitan Statistical Areas of the State that are currently underutilized for state purposes and suitable for affordable housing, and pursue public-private-partnerships for redevelopment of compatible state uses and affordable housing on those underutilized properties.*
2. *Identify state funding for mezzanine financing to increase the financial viability of affordable housing developments seeking federal tax credits through TDHCA.*

3. *Modify the "2-Mile Rule" to increase the number of affordable housing developments eligible for federal tax credits through TDHCA.*

SQUATTERS

Recommendations to increase penalties in and speed of evictions reduces the already limited rights of tenants. The laws already on the books, when used promptly by landlords and with competent cooperation by local law enforcement, are ample to safeguard landlords from trespassers, squatters, and delinquent renters.

Chairman, I thank you for the opportunity to provide my comments on the Committee Report. I look forward to working with you in the 89th Legislature.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'SEK' with a large, sweeping flourish extending to the right.

Sarah Eckhardt