



## MEMORANDUM

**TO:** Mayor and Council

**FROM:** Kerri Lang, Interim Budget Officer

**DATE:** June 2, 2021

**SUBJECT:** Item #6 on the June 3, 2021 City Council Agenda and the Effect of SB 1438

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This memorandum provides an update regarding item #6 on the June 3, 2021 City Council agenda, which directs the Chief Financial Officer to calculate the voter-approval property tax rate with an increase of 8% above the City's current maintenance and operations rate.

On May 30, 2021, the Texas Legislature passed [SB 1438](#), which prohibits municipalities that are constrained to the 3.5% voter-approval tax rate from using a disaster declaration related to a pandemic or epidemic to calculate its voter-approval tax rate at 8%. While this provision prohibits the City to use the State disaster declaration related to COVID-19 to calculate its voter-approval tax rate at 8%, the City is still allowed to calculate the rate at 8% due to the State and Federal disaster declarations related to Winter Storm Uri.

Further provisions of the bill amend how a municipality calculates its voter-approval tax rate in future years following the use of the disaster calculation. Once the disaster calculation has expired, the City is again required to calculate its voter-approval tax rate at 3.5%, and further, is required to reduce its property tax revenue base by the "emergency revenue rate," which is the incremental rate above and beyond 3.5% that the City adopted in the disaster year. For example, if the City were to adopt a property tax rate increase of 5% for FY 2021-22, it would have to remove the revenue gained from the 1.5% increase above 3.5% in the next fiscal year as part of the property tax rate calculation. In effect, the property tax revenue collected over and above 3.5% as adopted in a disaster year is one-time revenue.

These new provisions of law, as enacted by SB 1438, are important to account for as FY 2021-22 budget decisions are made in the coming weeks. If you have any questions regarding this change in law and how it will affect the budget, I am available to assist.

cc: Spencer Cronk, City Manager  
Deputy and Assistant City Managers  
Ed Van Eenoo, Chief Financial Officer