



## Overview of the 86th Texas Legislature Regular Session

The 86th Texas Legislature's Regular Session primarily focused on bread-and-butter government issues, including taxation and school finance. With the Comptroller projecting a better than usual fiscal outlook, legislators had the resources they needed to fund important priorities and take on new policy challenges. Some of the most important legislative issues affecting the Texas Building Owners and Managers Association (Texas BOMA) membership are below.

### *Property Tax and School Finance Reform – PASSED*

Property tax reform and school finance were the top two priorities for leadership during the session. The "Texas Property Tax Reform and Transparency Act of 2019," or **SB 2 (Bettencourt)**, enacts broad reforms to the property tax system in an effort to address rapidly increasing taxes across the state. Most importantly, the bill requires voter approval when local governments increase property tax revenues by more than 3.5%. Key elements of the bill include:

1. Reduction in the rollback tax rate (the threshold by which voters must approve tax increases, and renamed the "voter-approval" rate) for cities, counties, and special districts from 8% to 3.5% beginning in 2020. In addition:
  - a. The lower threshold does not apply to some taxing jurisdictions, and smaller taxing units may increase taxes by up to \$500,000 before voters must approve an increase
  - b. Taxing units may carry forward any amount from tax rates below 3.5% during three prior years
2. Mandatory elections in November for tax increases that exceed the voter-approval rates
3. Changes to tax rate and hearing notices, including the creation of real-time tax notices to be delivered to each property owner directing the owner to websites that provide information concerning tax rates, levies, and public hearings and inclusion of links for the public to provide online comments about rates
4. Appraisal review board membership, training, and hearing procedure changes, including a prohibition against increased values after a protest hearing
5. Creation of special appraisal review board panels to hear protests concerning complex properties
6. Additional Comptroller duties, including prescribing tax rate calculation forms and creation of a Property Tax Administration Advisory Board
7. Repeals the current ability of taxing units to challenge the level of appraisal of a category of property on appraisal rolls
8. Changes to binding arbitration and other appraisal reforms

Governor Abbott signed **SB 2** on June 12, 2019. In addition, the legislature passed **HB 3 (Huberty)** which completely overhauls the state's school finance system. This bill includes education reforms that will increase public education funding and mandate a 2.5% cap on revenue increases for school districts, along with a school district tax rate compression of 8 cents per \$100 valuation in 2020 and 13 cents per \$100 valuation in 2021. The Governor signed **HB 3** on June 11, 2019. Lastly, leaders in both chambers had proposed a sales tax swap in **HJR 3 (Huberty)**, which would have allowed lawmakers to lower property taxes even more dramatically, but that bill died due to lack of support.

### *Proposed Changes to Mechanic's Lien Laws – DIED*

Some construction law attorneys and stakeholders in the industry have attempted to rewrite mechanic's lien laws for a number of sessions. One bill to accomplish this rewrite in 2019 was **HB 589 (Deshotel)**. Texas BOMA and similarly situated organizations opposed this legislation because the bill's massive overhaul of



the lien system would have likely made the process more confusing, rather than less. The current lien system works—projects are regularly completed, workers are paid, and lien claims are remedied on a regular basis. Given the importance of real estate to the state’s economy, numerous stakeholders were concerned with unintended consequences of a radical overhaul of these laws.

As an alternative to a wholesale rewrite of the lien system, certain stakeholders advanced a proposal in **HB 3498 (Burrows)**, which would have made modest, sensible changes to the lien laws to streamline the current statute, reduce redundant provisions, simplify anachronistic requirements, and clarify ambiguities. Neither **HB 589** nor **HB 3498** advanced this session, both having died in the House Business and Industry Committee. Several other bills affecting lien laws also failed to pass this session.

### ***Gun Bill Affecting Commercial Property – AMENDED and PASSED***

**HB 302 (Paul)** could have potentially impacted the ability of commercial property owners to determine whether to permit firearms on the owner’s own property. As filed, the bill would have allowed a tenant or the tenant’s employee or agent to openly carry a firearm to the tenant’s rental unit. That might make sense for residential units where a person must store his or her gun, but in a commercial context, the law would have meant allowing long guns to be carried through the lobby of a multi-story office building. Fortunately, Texas BOMA’s concerns were addressed with the bill amended to apply only to residential tenancies.

### ***Preemption of Mandatory Paid Sick Leave Ordinances – DIED***

A number of municipal ordinances in Texas require private employers to provide mandatory paid sick leave to employees. These ordinances can be costly to small businesses. They attempt to enforce a one-size-fits-all policy instead of allowing employers to find solutions that best work for their employees. Several bills this session, including **SB 2487 (Creighton)**, would have overturned these problematic ordinances. However, these bills ultimately died due to a disagreement over language that would have protected nondiscrimination ordinances. The business community continues to seek relief from enforcement of the ordinances in the courts.

### ***Texas State Board of Plumbing Examiners Sunset Bill – DIED***

In one of the final days of session **SB 621 (Nichols)**, transferring regulation of plumbers from the Texas State Board of Plumbing Examiners to the Texas Department of Licensing and Regulation, failed to pass in the House. Because of the Sunset process in Texas, the bill’s failure effectively ceases the state regulation of plumbers as of September 1. Governor Abbott announced that he has the authority to continue the regulation of plumbers without being required to call a special session to reauthorize the agency. An announcement detailing a fix for this issue is expected from the Governor shortly.

### ***Other Legislation of Interest***

**HB 2439 (Phelan)** passed, which prohibits local ordinances that mandate the use of specific building materials. Texas BOMA opposes mandatory sales price disclosures, and several bills that would have required this, including **HB 185 (Bernal)**, **HB 1036 (Beckley)**, and **HB 3493 (Talarico)**, all died. Other bills, such as **HB 1211 (Darby)**, **HB 1737 (Holland)**, and **HB 2901 (Leach)**, would have negatively affected legal remedies available to a building owner, but none of these bills passed. Lastly, **HB 970 (Walle)** was amended to exclude commercial properties from a mandatory notification regarding changing flood zones before it ultimately died.