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DATE:	**July 10, 2025**
SUBJECT:	**SB 1453 (Debt Tax Rates) and Interaction with SB 4 and SB 23 (Additional State Aid for Homestead Exemption Increases)**
CATEGORY:	**Tax rate and Funding Implications**
NEXT STEPS:	**Share with school system administrators and business staff**

This correspondence addresses matters related to debt tax rate provisions enacted by Senate Bill (SB) 1453, as well as interactions with SB 4 and SB 23, 89th Texas Legislature, 2025, Regular Session. This notice does not apply to open-enrollment charter schools. Nothing stated in this correspondence supersedes the Texas Tax Code, Texas Education Code or Texas Administrative Code.

SB 1453

Relating.to.the.current.debt.rate.and.tax.rate.of.a.taxing.unit.for.ad.valorem.tax.purposes

SB 1453 modified the calculation of the debt service or interest and sinking fund (I&S) tax rate. Chapter 44 of the Texas Education Code is modified to define the I&S tax rate as the rate that would provide the minimum dollar amount required to be paid to service the school district's debt. Similar changes to the Texas Tax Code definition of current debt service were also made.

The bill allows the governing body of a taxing unit to approve a higher I&S tax rate if at least 60 percent of the governing body's members approve a motion that states:

- the minimum rate,
- the proposed rate,
- the difference between the rates, and
- the purpose for which the excess revenue will be used.

If approved, the higher rate is the current debt rate for the year, and the officer or employee designated by the governing body to calculate the voter-approval tax rate must recalculate that rate with the new current debt rate. Of note, when setting the tax rate to meet this minimum rate requirement, districts would include any state funding they receive for debt service, which could include existing debt allotment (EDA), instructional facilities allotment (IFA) and ASAHE for Facilities.

While the above provision of the bill's effective date is January 1, 2026, applicable to tax year (TY) 2026 and school year (SY) 2026–2027, districts should be mindful of the following interaction with SB 4 and SB 23 which applies beginning with TY 2025 and SY 2025–2026.

Interaction with SB 4 and SB23

Relating.to.an.increase.in.the.amount.of.the.exemption.of.residence.homesteads.from.ad.valorem. taxation.by.a.school.district.and.the.protection.of.school.districts.against.certain.losses.in.local. revenue

Increase in Additional State Aid for Homestead Exemption (ASAHE) for Facilities
SB 4 increased the state-mandatory homestead exemption applicable to school districts from $100,000 to $140,000 per eligible homestead and provided additional state aid to hold districts harmless for the decrease in local tax revenue. SB 23 increased the homestead exemption of a person who is elderly or disabled applicable to school districts from $10,000 to $60,000 per eligible person's residence homestead and provided additional state aid to hold districts harmless for the decrease in local tax revenue. Increases are contingent upon the passage of the constitutional amendment, Senate Joint Resolution (SJR) 2, which will be on voter ballots in November 2025.

Requirement to Meet Minimum Tax Rate Target, Reduction in ASAHE for Non-Compliance
Beginning with school year 2025–2026, there are additional provisions in both SB 4 and SB 23 not contingent upon passage of SJR 2 that would reduce additional state aid for the homestead exemptions for debt service by the difference (if greater than zero) between total calculated state and local revenue for debt service and scheduled debt service. Only the new state aid provisions for the latest homestead exemption increases would be affected. Stated a different way: while the above minimum I&S tax rate requirements do not take effect until setting tax rates for the 2026-2027 school year, if a district sets an I&S tax rate above that minimum requirement for the 2025-2026 school year, the district will receive less ASAHE for Facilities from the most recent statewide homestead exemption increase than it otherwise would have.

Requirement to Use ASAHE for Facilities for Debt Service Payments
SB 4 also restricts the use of additional state aid for debt service that results from an increase in the homestead exemption to the purpose of making principal and interest payments on the bonds for which the district received the additional state aid. This provision takes effect immediately.

Later in 2025, the preliminary SY 2025-2026 Summary of Finances (SOF) reports will be updated with estimated additional state aid data as mentioned above through the Additional State Aid for Homestead Exemption (ASAHE) for Facilities line. This information on the SOF reports will be available after districts set I&S tax rates for the upcoming year. Therefore, districts will need to use local state aid templates or other local resources, as they have previously, to calculate upcoming ASAHE for Facilities amounts.

Questions

If you have any questions related to this correspondence, please contact the Division of State Funding, Forecasting and Fiscal Analysis by phone at (512) 463-9238 or by email at sfinance@tea.texas.gov.