School Finance 101: Tax Rate and Budget Adoption

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Tax rates

- ☐ Tax Code and Education Code are DIFFERENT
  - ✓ Tax Code
    - ☐ Prescribes calculation of *effective* tax rate
  - ✓ Education Code
    - ☐ Describes state funding related to *compressed* tax rate
  - ✓ Effective tax rate ? compressed tax rate

Compressed tax rate

- Compresses 2005 adopted M&O tax rate
- State compression rate (SCR)
  - ✓ Set in General Appropriations Act, Rider 3
  - ✓ Current rate = 0.6667
- Compressed tax rate used in state funding calculations
- Compressed tax rate ? effective tax rate

Effective M&O tax rate

- ☐ Effective M&O tax rate
  - ✓ Rate needed to maintain state and local revenue per weighted student received last year
- ☐ Calculate effective rate
  - ✓ Use template available from Region XIII
  - ✓ Use worksheets available from comptroller of public accounts

Tax Code

□ Chapter 26 – provisions related to tax rate adoption

  ■ Sec. 26.01 – Submission of Rolls to Taxing Units

  ■ Sec. 26.05 – Tax Rate (dates)

  ■ Sec. 26.08 – Election to Ratify School Taxes (i.e., "rollback" election)

Education Code

- Chapter 44 – provisions related to budget and tax rate adoptions by school districts
    - Sec. 44.004 – Notice of Budget and Tax Rate Meeting; Budget Adoption
    - Sec. 44.0041 – Publication of Summary of Proposed Budget

Timeline for Rate and Budget Adoptions

- ☐ July 25 – certification of values
- ☐ Budget adoption
  - ■ Requires publication of "Notice of Public Meeting to Discuss Budget and Proposed Tax Rate"
    - ☐ Must publish no earlier than 30 days and no later than 10 days prior to hearing
  - ■ Must adopt budget prior to adopting tax rate
  - ■ Can do both at same meeting

Timeline for Rate and Budget Adoptions

- ☐ September 30 (or 60th day after appraisal roll is certified)
  - ■ Appraisal starts clock for rate adoption
  - ■ Districts must adopt a tax rate for current year
  - ■ Districts with July 1 fiscal year may use certified estimates for budget adoption, but may not adopt tax rates until appraisal roll is certified

Timeline for Rate and Budget Adoptions

- ☐ Election to certify tax rates
  - ◼ Required when adopted rate exceeds rollback limit
  - ◼ Rollback election – must be held on a date
    - ☐ Not less than 30 days or more than 90 days after the rate was adopted
    - ☐ Section 41.001, Election Code, does not apply *unless* a date specified by that section falls within the time period

Timeline for Rate and Budget Adoptions

- ☐ Election to certify tax rates – *cont'd.*
  - ■ If voters approve, district maintains adopted rate
  - ■ If voters do not approve, district is limited to adoption of rollback rate

Rollback tax rates

2008 rollback rate = lesser of (A) or (B)

(A)
+ $1.50 x 0.6667 = $1.00 (use 2005 rate *only* if > $1.50)
+ $0.04 (available without rollback election)
+ Any pennies previously authorized by rollback election
+ Debt service rate

OR

(B)
+ Effective tax rate (incorporates revenue generated by previous rollback authorization)
+ $0.06 x SCR (available without rollback election)
+ Debt service rate

Accessing "golden" pennies in 2008- 09

- Tier II funding based on compressed tax rate
  - ✓ Level 1 – compressed tax rate
  - ✓ Level 2 – first six pennies above compressed tax rate
  - ✓ Level 3 – pennies above Level 2 tax effort

Accessing "golden" pennies in 2008- 09

☐ Do I need a rollback election to access my 5th and 6th golden pennies?
   - ✓ Depends on the effective M&O rate
   - ✓ Compare effective M&O rate to compressed tax rate
   - ✓ *If* effective M&O rate is higher than compressed M&O rate, district may access golden pennies without an election
   - ✓ *If* effective M&O rate is equal to or lower, district would need a rollback election

Questions?