Tax Ratification Elections

29th Annual Election Law Seminar for Cities, Schools, and Other Political Subdivisions

Kristi Clark, Senior Attorney
TASB Legal Services

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What is a TRE?

A tax ratification election (TRE) is a special election called by a school board for voters to approve the adopted tax rate.
When is a TRE required?

If the governing body of a school district adopts a tax rate that exceeds the district’s rollback tax rate, the registered voters of the district at an election held for that purpose must determine whether to approve the adopted tax rate.

Texas Tax Code § 26.08(a)
Are there any exceptions?

A TRE is not required to approve the tax rate adopted for the year following the year in which a disaster (tornado, hurricane, flood, other calamity, but not drought) occurs if:

• Increased expenditure is necessary to respond to the disaster; and
• The governor requests federal disaster assistance for the area in which the district is located.
When does a district adopt its tax rate?

Budgets must be adopted by:
- June 30 for July 1 fiscal year districts
- August 31 for September 1 fiscal year districts

Tax rates must be adopted by the later of:
- September 30
- 60 days after the district receives the certified appraisal roll
What comprises the district tax rate?

• Maintenance & Operations (M&O) rate
  - Operating expenses, such as salaries, instructional costs, utilities, transportation, general equipment, maintenance
  - $1.17 max

• Interest & Sinking Fund (I&S) rate
  - Debt payments on bonds
  - $.50 max
How does a district adopt its tax rate?

• Two methods
  ➢ Early adoption based on certified estimate of values
  ➢ Traditional based on certified appraisal roll

• Different notice & hearing requirements
How does a district adopt its tax rate?

1. Supt proposes budget
2. Board holds public meeting(s)
3. Board adopts tax rate
4. Board adopts budget

Early Adoption
How does a district adopt its tax rate?

1. Supt proposes budget
2. Board holds public meeting(s)
3. Board adopts budget
4. Board adopts tax rate

Traditional Method
Early v. Traditional Methods

Early
- Based on property value estimates, available April 30
- TWO notices, TWO meetings
- TAX RATE adopted first

Traditional
- Based on certified appraisal roll, available July 25
- ONE notice; may hold ONE or TWO meetings
- BUDGET adopted first
To: Superintendent, Superintendent Secretary, and Council of School Attorney Member Addressed
From: TASB Legal Services
Date: March 15, 2017
Subject: Adoption of Budget and Tax Rates—Early Tax Rate Adoption

It is time once again for Texas school districts to adopt their budgets and tax rates. This memo provides an overview of the steps school districts using the early tax rate adoption process must take to adopt a tax rate and a budget under Texas Education Code sections 44.001 through 44.006 and Texas Tax Code chapter 26. Budget adoption is addressed in TASB Policy CE(LEGAL) and tax rate adoption is addressed in TASB Policy CCG(LEGAL).

If your district uses the traditional method of adopting a tax rate based on the certified appraisal roll, please see TASB Legal Services’ Adoption of Budget and Tax Rates—Traditional Method.¹
To: Superintendent, Superintendent Secretary, and Council of School Attorney
   Member Addressed
From: TASB Legal Services
Date: March 15, 2017
Subject: Adoption of Budget and Tax Rates—Traditional Method

It is time once again for Texas school districts to adopt their budgets and tax rates. This memo provides an overview of the traditional method school districts use in adopting their budget and tax rates under Texas Education Code sections 44.001 through 44.006 and Texas Tax Code chapter 26. Budget adoption is addressed in TASB Policy CE(LEGAL) and tax rate adoption is addressed in TASB Policy CCG(LEGAL).

If your district uses the early tax rate adoption process under Texas Tax Code section 26.05(g) and Texas Education Code section 44.004(j) to adopt its tax rate based on the certified estimate
What is the rollback rate?

The lesser of:

- Current year’s compressed tax rate
  + 4 cents
  + additional cents approved in an election in 2006 or later
  + current debt tax rate

- Effective M&O tax rate
  + 4 cents
  + current debt tax rate

Worksheet: comptroller.texas.gov/taxes/property-tax/forms/index.php
# 2017 Sample Tax Rate Calculation Worksheet

## School Districts

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Formula/Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2016 total taxable value</td>
<td>Enter amount of 2016 taxable value on the 2016 tax roll today. Include any adjustments to prior year’s certification. Exclude any first-time taxpayer reductions from these adjustments. Total includes the taxable value of homes and non-homes (not detailed in line 2).</td>
</tr>
<tr>
<td>2.</td>
<td>2016 tax ceilings and Chapter 319 limitations</td>
<td>Enter 2016 total taxable value of homes and non-homes. These include 100% of the homes and non-homes of homeowners age 65 or older.</td>
</tr>
<tr>
<td>3.</td>
<td>Total taxable value</td>
<td>Enter total taxable value less Chapter 319 limitations in line 2 and below.</td>
</tr>
<tr>
<td>4.</td>
<td>Total adoptable tax rate</td>
<td>Multiply line 3 by 1.025. Enter this amount in the Adoptable Tax Rate column above and in line 7.</td>
</tr>
</tbody>
</table>

## Effective Tax Rate Activity

<table>
<thead>
<tr>
<th>Amount/Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0100</td>
<td>Maintenance and Operations (M&amp;O) tax rate. Enter $1.00 if the 2016 adopted M&amp;O rate is 1% or lower.</td>
</tr>
<tr>
<td>0.0050</td>
<td>2017 rollback M&amp;O rate. Use the lower of the M&amp;O rate or 0.50% in line 4.</td>
</tr>
</tbody>
</table>

## Effective Tax Rate

<table>
<thead>
<tr>
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<th>Formula/Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>2016 taxable value less court appeals and AITD decisions reduced 2015 approved value</td>
<td>Multiply 2015 approved value by 0.95 to get 2016 taxable value less court appeals and AITD decisions reduced 2015 approved value.</td>
</tr>
<tr>
<td>6.</td>
<td>2015 taxable value less AITD decisions reduced 2015 approved value</td>
<td>Multiply 2015 approved value by 0.95 to get 2015 taxable value less AITD decisions reduced 2015 approved value.</td>
</tr>
<tr>
<td>7.</td>
<td>2016 taxable value</td>
<td>Multiply 2016 total adoptable tax rate in line 4 by 2016 total taxable value in line 3.</td>
</tr>
<tr>
<td>8.</td>
<td>Adjust for court ordered reductions</td>
<td>Multiply 2016 taxable value by 0.95 to get 2016 taxable value less court ordered reductions.</td>
</tr>
</tbody>
</table>
STEP 1: Effective Tax Rate (No New Taxes)

The effective tax rate enables the public to evaluate the relationship between taxes for the prior year and for the current year based on a tax rate that would produce the same amount of taxes (no new taxes) if applied to the same properties that are taxed in both years. When appraisal values increase, the effective tax rate should decrease.

<table>
<thead>
<tr>
<th>Line</th>
<th>Effective Tax Rate Activity</th>
<th>Amount/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>2016 total taxable value.</strong> Enter the amount of 2016 taxable value on the 2016 tax roll today. Include any adjustments since last year’s certification; exclude one-third over-appraisal corrections from these adjustments. This total includes the taxable value of homesteads with tax ceilings (will deduct in Line 2).</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>
STEP 2: Rollback Tax Rate

Most school districts calculate a rollback tax rate that is split into two separate rates:

1. **Maintenance and Operations (M&O):** School districts must use the lesser amount of the following methods to calculate the M&O rate:
   - Four cents ($0.04) PLUS current year’s compression rate multiplied by $1.50 (usually $1) PLUS any additional cents approved by voters at a 2006 or subsequent rollback election; **OR**
   - Current year’s compression rate multiplied by six cents (usually four cents) PLUS effective M&O rate which includes school formula funding calculations.\

2. **Debt:** The debt tax rate includes the debt service necessary to pay the school district’s debt payments in the coming year. This rate accounts for principal and interest on bonds and other debt secured by property tax revenue.

   In most cases the rollback tax rate exceeds the effective tax rate, but occasionally decreases in a school district’s debt service will cause the effective tax rate to be higher than the rollback tax rate.
What timelines apply to a TRE?

**Held**
- 30-90 days after the tax rate is adopted
- On a uniform election date if one falls in that period

**Ordered not later than**
- 78th day before election day if it’s a uniform election date
- 62nd day before election day if it’s a non-uniform election date
- 30th day before election day if the district uses the early tax rate adoption method
2017 Tax Ratification Election Information and Timelines

This memo outlines relevant deadlines and procedures for conducting a tax ratification election (TRE) in 2017, both for districts using the early tax rate adoption process and districts adopting budgets and tax rates on the traditional timeline. Information in this document should be used in conjunction with TASB Legal Services’ guides on budget and tax rate adoption. Please note that the dates included in the TRE timelines are provided as a guide and starting point for district planning purposes only. The district should review its final TRE calendar with local counsel to ensure accuracy.

BACKGROUND INFORMATION
PROCEDURAL TAX RATE ADOPTION INFORMATION
EARLY TAX RATE ADOPTION PROCESS AND TIMELINES
TRADITIONAL TAX RATE ADOPTION PROCESS AND TIMELINES
IMPORTANT REMINDERS FOR EITHER PROCESS
Is a joint election required?

Only if the TRE is at the same time as a trustee election; the joint election requirement only applies to a trustee election.

Texas Education Code § 11.0581(a)
Can district resources be used to advertise?

• Public funds cannot be used for political advertising or electioneering to support a TRE
• School districts can disseminate factual materials about the TRE, including election details
Is this legal?

“Vote YES to Proposition 8675309.”
“Shady Grove ISD TRE, November 7, 2017.”

Official TRE logo

“Every child deserves a good education.”
What must the ballot say?

Sample Rollback Ballot

Tax Rate Rollback Election
For ____________________ (name of school district) ____________________ (date of election) ____________________

OFFICIAL BALLOT

Place an “X” in the square beside the statement indicating the way you wish to vote.

☑ FOR
☑ AGAINST

Approving the ad valorem tax rate of $(adopted tax rate)$ per $100 valuation in ___(name of school district)___ for the current year, a rate that is $(difference between adopted rate and rollback tax rate)$ higher per $100 valuation than the school district rollback tax rate, for the purpose of ___(description of purpose of increase)___.
What happens after the election?

**Proposition passes by majority vote**
- Adopted tax rate is the rate for the current year

**Proposition fails**
- Board may not adopt a tax rate that exceeds the rollback rate
Where can I get more information?

TASB Legal Services
800.580.5345
legal@tasb.org
schoollawesource.tasb.org

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TRUTH-IN-TAXATION: TAX RATE ADOPTION

Truth-in-taxation is a concept embodied in the Texas Constitution that requires local taxing units to make taxpayers aware of tax rate proposals and to afford taxpayers the opportunity to roll back or limit tax increases. Property owners have the right to know about increases in their properties' appraised value and to be notified of the estimated taxes that could result from the new value.

Creating a budget and adopting a property tax rate to support that budget are major functions of a taxing unit's governing body. This is accomplished by following truth-in-taxation requirements to ensure the public is informed of any increases. The type of taxing unit determines its applicable truth-in-taxation requirements.

If certain taxing units fail to comply with the hearing, notice or tax rate adopting process in good faith, a property owner in the taxing unit may seek an injunction to stop the taxing unit from sending tax bills until it convinces the district court that it has complied with the law.

Resources
- Tax Rate Calculations
- Notice Requirements
- Hearing Requirements
- Rollback Elections
- Forms for Tax Rate Adoption
- Important Dates (PDF)
- Texas Constitution Provisions (PDF)
- Truth-in-Taxation FAQ
- Truth-in-Taxation Videos