

- SUBJECT:** Calculating the rollback tax rate of a school district
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 5 ayes — Hilderbran, Bohac, Button, Gonzalez, Strama
0 nays
4 absent — Otto, Eiland, Martinez Fischer, Ritter
- WITNESSES:** For — George Christian, Texas Taxpayers and Research Association; Dominic Giarratani, Texas Association of School Boards; Kelly Penny, Coppell ISD; Christy Rome, Texas School Coalition (*Registered, but did not testify*); Amy Beneski, Texas Association of School Administrators; Ken McCraw, Texas Association of Community Schools; Ted Melina Raab, Texas AFT; Wayne Pierce, Equity Center; Bob Popinski, Moak, Casey & Associates)

Against — None

On —Debbie Cartwright, Comptroller of Public Accounts; Rodrigo Carreon
- BACKGROUND:** Tax Code, sec. 26.08, requires voter approval of any school district tax rate increase above the district’s calculated rollback tax rate. The code grants an exception for a rate increase necessary to respond to a disaster for which the governor has requested federal disaster assistance.
- DIGEST:** CSHB 671 would apply to a school district whose maintenance and operations (M&O) tax rate was \$1.50 or less per \$100 of taxable property value for the 2005 tax year.

Under CSHB 671, the rollback tax rate of a school district that had adopted a tax rate that *was not* approved at an election in tax year 2006 or since would be the lesser of:
- Sum 1
- the state compression percentage as determined under the Education Code multiplied by the M&O tax rate adopted by the

district;

- \$.04 per \$100 of taxable value; and the
- district's current debt rate; or

Sum 2

- the effective M&O tax rate; and
- the compression percentage for the current year multiplied by \$.06 per \$100 of taxable value.

If the district's adopted tax rate *was* approved at an election in 2006 or since, the district's rollback tax rate would be the sum of:

- the product of the compression percentage and the M&O tax rate;
- \$.04 per \$100 of taxable value;
- a rate equal to the sum of the differences between the adopted tax rate of the district and the rollback rate of the district for each year since, and including, 2006; and
- the district's current debt rate.

The bill would apply to a property tax rate of a district beginning with the 2013 tax year.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

CSHB 671 would address a problem created by current laws governing how school districts with a tax rate between \$1.04 and \$1.17 set their property tax rates. The effect of the bill would be to make it easier for districts in this category that have approved a higher tax rate — there are an estimated 300-350 districts that meet the criteria at this time — to reduce their tax rates and therein lighten the property tax burden shouldered by district residents.

Current law requires a school district that adopted a tax rate above the district's rollback rate, a complicated calculation defined in statute, to hold an election in which the voters must approve or disapprove the higher rate. If the voters reject the higher rate, the district's tax rate may be set no higher than its rollback rate.

However, this can create a disincentive for districts that had approved a

higher tax rate to reduce it for a short period of time because doing so would require them to have an election to reauthorize the current tax rate. Elections are costly and difficult to administer, and they pose an element of risk that the current tax rate would not be reapproved. As such, many districts are hesitant to revise the rate downward, even when it means they would otherwise be over-collecting taxes.

CSHB 671 would set the authorized tax rate as a ceiling under which the local school board would have the authority to float the tax rate down or up as long as it did not exceed the ceiling. This would provide local flexibility to set the rate while at the same time removing barriers to reducing them.

The bill would not, in any case, allow a district to go up to a rate that was not approved through an election. The election requirement, which is totally preserved under the bill, gives district boards a strong incentive to keep rates closely tailored to costs because a defeat at the polls requires a drop back down to the rollback rate. The bill would not impact or alter this incentive and thus would not open the door to excessive spending.

OPPONENTS
SAY:

While well intended, CSHB 671 could open the door to excessive spending on the part of school boards by taking away the popular election requirement for a tax increase, an important check on school tax rates. School boards could take the opportunity this bill presented to unnecessarily raise the ceiling to buy the assurance of being able to return to a higher rate in the future. The election requirement is a strong safeguard against the misuse and abuse of taxing privileges. Weakening this requirement could be an invitation to school boards to raise tax rates and increase spending to match.

NOTES:

The committee substitute differs from the bill as filed by adding the M&O tax rate adopted by a district for the 2005 tax year to the calculation of the adopted tax rate for a district that approved a rate at an election in 2006 or since.