

Basic Legal Requirements for the Budget and Tax Rate

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What must be included in the budget?

- LGC Sec. 102.003 requires:
 - Itemized comparison between expenditures in the proposed budget and in the preceding year
 - Must show the estimated amount of money for each project or expenditure
 - A financial statement that shows:
 - Outstanding obligations
 - Cash on hand in each fund
 - All funds received during preceding year
 - All funds available for ensuing year
 - Estimated revenue available to cover proposed budget
 - Estimated tax rate needed to cover proposed budget

Proposed Budget

- Prepared by budget officer
- Must be filed with city secretary at least 30 days before adoption of property tax rate
- Posted on city's website
- Cover sheet if proposed budget raises more from property taxes than in previous year

Budget Expenditure Itemization

- Proposed budget must include line item comparing expenditures in proposed budget and actual expenditures in preceding year for:
 - Notices required to be published in the newspaper (S.B. 622, 2017)
 - Directly or indirectly influencing or attempting to influence the outcome of legislation or administrative action (H.B. 1495, 2019)

Budget Hearing

- At least 15 days after proposed budget filed with city secretary, but before date of the tax levy
- Published notice of hearing
 - Must be published in paper between 10 and 30 days before the hearing
 - Include statement if budget raises more from property taxes than the previous year
- Action must be taken at end of hearing

Budget Adoption

- Budget adopted after budget hearing but before tax rate adoption
 - City “may levy taxes only in accordance with the budget” (LGC Sec. 102.009)
- Separate ratification vote if more property tax revenue
- S.B. 656 (2013) (LGC Secs. 102.007 and 102.008)
 - Cover sheet for adopted budget
 - Statement if budget raises more, less, or the same amount of property taxes as previous budget
 - Record vote, and various tax rates included on cover sheet
 - Posted on website

Big Picture

- 1. Proposed Budget
- 2. Budget Hearing
- 3. Adoption of Budget
- 4. Adoption of Tax Rate

What about S.B. 2?



Major Components of S.B. 2

- Lowers the tax rate a city can adopt without voter approval and requires mandatory election to go above the lowered rate
- Enhanced transparency and “Truth-in-Taxation” modifications
- Appraisal reforms

New Terminology

Effective Tax
Rate



No-New-
Revenue Tax
Rate

Rollback Tax
Rate



Voter-
Approval Tax
Rate

In a Nutshell...

Pre S.B. 2

- If city adopted a tax rate exceeding the rollback rate (8 percent M&O growth), voters could petition for a rollback election.
- Rollback election not held on uniform election date.

Post S.B. 2

- If city adopts a tax rate exceeding the voter-approval rate (3.5 percent M&O growth, plus “unused increment rate”), city must hold an automatic election.
- Tax rate approval election held on November uniform election date.

Tax Rate Adoption Timeline

- **July 25th** – Chief Appraiser certifies the appraisal roll or provides a certified estimate (Tax Code Sec. 26.01).
- **August 7th** – Notice of tax rates, M&O and I&S balances, and debt obligation schedule posted to city’s website.
- One tax rate hearing must be held starting at least five days after notice of hearing is given, if city is a “larger taxing unit” and adopting a rate that exceeds the no-new-revenue tax rate (Tax Code Sec. 26.06(a)).
- **71st day before November Uniform Election Date** – last day to adopt a tax rate exceeding the voter-approval tax rate. (Tax Code Sec. 26.05(a)).
- **September 29th** – Last day to adopt tax rate that doesn’t exceed voter-approval tax rate (Tax Code Sec. 26.05(a)).

Failure to Comply With State Law



Contacts

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