

MUNICIPAL BUDGET AND PROPERTY TAX RATE

**TEXAS MUNICIPAL LEAGUE
RILEY FLETCHER BASIC MUNICIPAL LAW SEMINAR
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STATE STATUTES

- Chapter 102 of the Texas Local Government Code (Budget)
- Chapter 26 of the Texas Tax Code (Tax Rate)
- Chapter 140 of the Texas Local Government Code (Truth in Taxation Notices)
- Remember your Home-Rule Charter.

MUNICIPAL BUDGET – BUDGET OFFICER

- **Who is the municipal budget officer?**
 - (a) Mayor
 - (b) City Manager/City Administrator
 - (c) Mayor, unless City has city manager form of government, the city manager serves as budget officer
 - (d) City Attorney
 - (e) Finance Director

MUNICIPAL BUDGET – BUDGET OFFICER

Answer: C . Mayor, unless City has city manager form of government, the city manager serves as budget officer.

- **Sec. 102.001. BUDGET OFFICER.**

(a) The mayor of a municipality serves as the budget officer for the governing body of the municipality except as provided by Subsection (b).

(b) If the municipality has the city manager form of government, the city manager serves as the budget officer.

See also, Op. Tex. Att’y Gen. No. JC-0544 (2002).

MUNICIPAL BUDGET – PROPOSED BUDGET

- **What is the deadline for the budget officer to file the proposed budget with the municipal clerk (city secretary)?**
 - (a) July 15th
 - (b) August 1st
 - (c) 30th day before the date City Council makes its levy for the new fiscal year

MUNICIPAL BUDGET – PROPOSED BUDGET

Answer: C . 30th day before the date City Council makes its levy for the new fiscal year.

- **Sec. 102.005. PROPOSED BUDGET FILED WITH MUNICIPAL CLERK; PUBLIC INSPECTION.**
(a) The budget officer shall file the proposed budget with the municipal clerk before the 30th day before the date the governing body of the municipality makes its tax levy for the fiscal year. . . .

MUNICIPAL BUDGET – PROPOSED BUDGET

- **Must the proposed budget contain a cover page in 18-point font or larger?**
 - (a) Yes.
 - (b) No.
 - (c) Yes. If the proposed budget will require raising more revenue from property taxes than in the previous fiscal year.

MUNICIPAL BUDGET – PROPOSED BUDGET

Answer: C. Yes. If the proposed budget will require raising more revenue from property taxes than in the previous fiscal year.

- **Tex. Local Gov't Code § 102.005(b)**

(b) A proposed budget that will require raising more revenue from property taxes than in the previous year must contain a cover page with the following statement in 18-point or larger type: "This budget will raise more total property taxes than last year's budget by (insert total dollar amount of increase and percentage increase), and of that amount (insert amount computed by multiplying the proposed tax rate by the value of new property added to the roll) is tax revenue to be raised from new property added to the tax roll this year."

MUNICIPAL BUDGET – PROPOSED BUDGET

- **Is the proposed budget required to be made available for public inspection?**
 - (a) Only if your home-rule charter requires it.
 - (b) Only if the City Secretary says yes.
 - (c) Yes.
 - (d) No.

MUNICIPAL BUDGET – PROPOSED BUDGET

Answer: C. Yes.

- Tex. Local Gov't Code § 102.005(c)

(c) The proposed budget shall be available for inspection by any person. If the municipality maintains an Internet website, the municipal clerk shall take action to ensure that the proposed budget is posted on the website.

MUNICIPAL BUDGET – PUBLIC HEARING

- **How many public hearings must the city hold on the budget pursuant to state law?**
 - (a) None
 - (b) The same number as the tax rate
 - (c) One
 - (d) Two

MUNICIPAL BUDGET – PUBLIC HEARING

Answer: C. One.

- **Section 102.006 of the Local Government Code:**

- (a) The governing body of a municipality **shall hold a public hearing** on the proposed budget. Any person may attend and may participate in the hearing.
- (b) The governing body shall set the hearing for a date occurring after the 15th day after the date the proposed budget is filed with the municipal clerk but before the date the governing body makes its tax levy.
- (c) The governing body shall provide for public notice of the date, time, and location of the hearing. The notice must include, in type of a size at least equal to the type used for other items in the notice, any statement required to be included in the proposed budget under Section 102.005(b) [i.e. 18-point or larger type].

MUNICIPAL BUDGET – PUBLISHED NOTICE

- **Must the City publish notice of the public hearing on the budget? And, if so, when?**
 - (a) No.
 - (b) Yes. Whenever you want.
 - (c) Yes. 30 to 10 days before the public hearing.
 - (d) Yes. 15 to 10 days before the public hearing.
 - (e) Whenever your newspaper gets around to it.

MUNICIPAL BUDGET – PUBLISHED NOTICE

Answer: C. Yes. 30 to 10 days before the public hearing.

- **Section 102.0065 of the Local Government Code:**

(a) The governing body of a municipality **shall publish notice before a public hearing relating to a budget in at least one newspaper of general circulation** in the county in which the municipality is located.

(b) Notice published under this section is in addition to notice required by other law, except that if another law requires the governing body to give notice, by publication, of a hearing on a budget this section does not apply.

(c) Notice under this section **shall be published not earlier than the 30th or later than the 10th day before the date of the hearing.**

(d) Notice under this section must include, in type of a size at least equal to the type used for other items in the notice, any statement required to be included in the proposed budget under Section 102.005(b) [i.e. 18-point or larger type].

MUNICIPAL BUDGET – ADOPTION OF MUNICIPAL BUDGET

- **When must the city adopt the municipal budget?**
 - (a) By September 1st
 - (b) By September 30th
 - (c) At the conclusion of the public hearing on the budget.

MUNICIPAL BUDGET – ADOPTION OF MUNICIPAL BUDGET

Answer: C. At the conclusion of the public hearing on the budget.

- **Sec. 102.007. ADOPTION OF BUDGET.**

(a) **At the conclusion of the public hearing**, the governing body of the municipality shall take action on the proposed budget. A vote to adopt the budget must be a record vote.

(b) The governing body may make any changes in the budget that it considers warranted by the law or by the best interest of the municipal taxpayers.

(c) Adoption of a budget that will require raising more revenue from property taxes than in the previous year requires a separate vote of the governing body to ratify the property tax increase reflected in the budget. A vote under this subsection is in addition to and separate from the vote to adopt the budget or a vote to set the tax rate required by Chapter 26, Tax Code, or other law. . . .

MUNICIPAL BUDGET – ADOPTION OF MUNICIPAL BUDGET – COVER PAGE

- **Is your adopted municipal budget required to contain a cover page in 18-point font or larger with statutory language?**
 - (a) No.
 - (b) Discretionary – City Secretary's call.
 - (c) Yes.

MUNICIPAL BUDGET – ADOPTION OF MUNICIPAL BUDGET – COVER PAGE

Answer: C. Yes.

- **Sec. 102.007(d)(1). ADOPTION OF BUDGET.**

(d) An adopted budget must contain a cover page that includes:

(1) one of the following statements in 18-point or larger type that accurately describes the adopted budget:

(A) "This budget will raise more revenue from property taxes than last year's budget by an amount of (insert total dollar amount of increase), which is a (insert percentage increase) percent increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is (insert amount computed by multiplying the proposed tax rate by the value of new property added to the roll).";

(B) "This budget will raise less revenue from property taxes than last year's budget by an amount of (insert total dollar amount of decrease), which is a (insert percentage decrease) percent decrease from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is (insert amount computed by multiplying the proposed tax rate by the value of new property added to the roll)."; or

(C) "This budget will raise the same amount of revenue from property taxes as last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is (insert amount computed by multiplying the proposed tax rate by the value of new property added to the roll).";

MUNICIPAL BUDGET – ADOPTION OF MUNICIPAL BUDGET – COVER PAGE

- **Sec. 102.007(d)(2)-(4). ADOPTION OF BUDGET.**

(d) An adopted budget must contain a cover page that includes:

(2) the record vote of each member of the governing body by name voting on the adoption of the budget;

(3) the municipal property tax rates for the preceding fiscal year, and each municipal property tax rate that has been adopted or calculated for the current fiscal year, including:

(A) the property tax rate;

(B) the effective tax rate;

(C) the effective maintenance and operations tax rate;

(D) the rollback tax rate; and

(E) the debt rate; and

(4) the total amount of municipal debt obligations.

MUNICIPAL BUDGET – FILING OF APPROVED BUDGET

- **Where are you required to file the adopted municipal budget?**
 - (a) Yes, in the library.
 - (b) Yes, with the municipal clerk.
 - (c) Yes, with the municipal clerk and on the City's Internet website (if the City has a website).

MUNICIPAL BUDGET – FILING OF APPROVED BUDGET

Answer: C. Yes, with the municipal clerk and on the City's Internet website (if the City has a website).

- **Sec. 102.008. APPROVED BUDGET FILED WITH MUNICIPAL CLERK: POSTING ON INTERNET.**

(a) On final approval of the budget by the governing body of the municipality, the governing body shall:

(1) file the budget with the municipal clerk; and

(2) if the municipality maintains an Internet website, take action to ensure that:

(A) a copy of the budget, including the cover page, is posted on the website; and

(B) the record vote described by Section 102.007(d)(2) is posted on the website at least until the first anniversary of the date the budget is adopted. . . .

MUNICIPAL BUDGET - AMENDMENTS

- **Can you amend your municipal budget throughout the fiscal year?**
 - (a) No.
 - (b) No, except for emergency expenditures.
 - (c) Yes.

MUNICIPAL BUDGET - AMENDMENTS

Answer. C. Yes.

- **Sec. 102.010. CHANGES IN BUDGET FOR MUNICIPAL PURPOSES.**

This chapter does not prevent the governing body of the municipality from making changes in the budget for municipal purposes.

MUNICIPAL BUDGET – 2017

LEGISLATIVE SESSION

- There was no legislation in the 85th Legislative Session or in the First Called Session amending Chapter 102 of the Texas Local Government Code.

MUNICIPAL BUDGET – KEY DATES:

- Budget officer submits proposed budget to municipal clerk (city secretary) 30th day before the date City Council makes its tax levy for the fiscal year. Tex. Loc. Gov't Code § 102.005(a). **[August 31, 2018]**
- City Council sets the public hearing date on the budget after the 15th day after the date the proposed budget is filed with municipal clerk (city secretary). Tex. Loc. Gov't Code § 102.006(b).
- First possible date to publish notice of public hearing on budget not earlier than 30 days before the date of the hearing. Tex. Loc. Gov't Code § 102.0065(c).
- Last possible date to publish notice of public hearing on budget not later than 10 days before the date of the hearing. Tex. Loc. Gov't Code § 102.0065(c).

MUNICIPAL BUDGET – KEY DATES:

- Conduct public hearing on municipal budget
- At conclusion of public hearing, City Council shall take action on proposed budget. Tex. Loc. Gov't Code § 102.007(a).
- Last day of current fiscal year – September 30th.
- First day of new fiscal year – October 1st.

PROPERTY TAX RATE



85TH LEGISLATIVE SESSION

- S.B.2 (2017) by Senator Bettencourt - bill that would have imposed a property tax revenue cap of four percent (4%) on cities – failed.
- January 16, 2018, Governor Greg Abbott proposed a 2.5 percent cap on property tax revenues – exceptions for law enforcement and school teacher pay raises.
- <https://www.gregabbott.com/propertytaxes/>
- <https://www.dallasnews.com/news/2018-elections/2018/01/16/texas-gov-greg-abbott-wants-cap-local-tax-revenue-25-percent>

EFFECTIVE TAX RATE

- Basically is the property tax rate that would give the city the same amount of money that it had in the prior fiscal year given the new appraisal rolls.
- Section 26.04 of Tax Code defines the term as:
rate expressed in dollars per \$100 of taxable value calculated according to the following formula:
$$\text{EFFECTIVE TAX RATE} = (\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE}).$$
- SB 2 (2017) renamed this term as the “no-new-revenue tax rate.”

ROLLBACK TAX RATE

Section 26.04 of Tax Code defines the term as:

"Rollback tax rate" means a rate expressed in dollars per \$100 of taxable value calculated according to the following formula:

$$\text{ROLLBACK TAX RATE} = (\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE} \times 1.08) + \text{CURRENT DEBT RATE}.$$

PUBLICATION OF PROPOSED TAX RATE

- **When must the City publish the effective tax rate, roll back rate, and an explanation of how the rates are calculated?**
 - (a) July 31st
 - (b) August 1st
 - (c) By August 7th
- **Answer C. By August 7th**

See, Section 26.04(e) of the Texas Tax Code.

PUBLICATION OF TAX RATE PUBLIC HEARINGS

- Must publish notice of the public hearing at least 7 days before the date of the public hearing.
 - Notice must meet requirements of Section 26.06(b) of Texas Tax Code.
- Second public hearing must be at least 3 days after the first public hearing.
- Each hearing must be held inside the boundaries of the City in a publicly owned building or, if a suitable publicly owned building is not available, in a suitable building to which the public normally has access.
 - Section 26.06(a) of the Texas Tax Code.

PUBLICATION OF TAX RATE PUBLIC HEARINGS

- At the public hearings the governing body shall announce the date, time, and place of the meeting at which it will vote on the proposed tax rate. Section 26.06(d) of Texas Tax Code.
- The meeting to vote on the tax increase may not be earlier than the third day or later than the 14th day after the date of the second public hearing. Section 26.06(e) of Texas Tax Code.

TAX RATE - ADOPTION

- **What is the deadline to adopt your tax rate?**

- (a) September 30th
- (b) October 1st
- (c) September 29th

Answer C. September 29th.

- Section 26.05(a) of Tax Code “before the later of September 30th or the 60th day after the date the certified appraisal roll is received.”

TAX RATE - ADOPTION

- If the City Council approves a tax increase, what percentage of City Council must approve the tax increase?
 - (a) 51%
 - (b) 3/4ths of City Council
 - (c) 60% of City Council

Answer: C. 60% of City Council.

- Section 26.05(b) of the Texas Tax Code “. . . For a taxing unit other than a school district, the vote on the ordinance, resolution, or order setting a tax rate that exceeds the effective tax rate must be a record vote, and at least 60 percent of the members of the governing body must vote in favor of the ordinance, resolution, or order.”

ADOPTION OF TAX RATE – MOTION LANGUAGE

- **New Tax Rate Exceeds the Effective Tax Rate:**
- A motion to adopt an ordinance, resolution, or order setting a tax rate that exceeds the effective tax rate must be made in the following form:

I move that the property tax rate be increased by the adoption of a tax rate of (specify tax rate), which is effectively a (insert percentage by which the proposed tax rate exceeds the effective tax rate) percent increase in the tax rate.
- Texas Tax Code Section 26.05(b).

TAX RATE – KEY DATES

- By August 7th must publish notice of effective tax rate, rollback rate and an explanation of how the rates are calculated. Section 26.04(e).
- Publication of notice of first public hearing on tax rate – at least 7 days before public hearing. Section 26.06(a).
- Conduct Public Hearing.
- At least 3 days between public hearings. Section 26.06(a).
- Publication of notice of second public hearing on tax rate – at least 7 days before public hearing. Section 26.06(a).
- Conduct Public Hearing.

TAX RATE – KEY DATES (CONT'D)

- Adopt tax rate 3 to 14 days after the second public hearing. Section 26.06(e) of Texas Tax Code.
- Adopt tax rate by September 29th. Section 26.05(a) of the Texas Tax Code.

SMALL TAXING UNITS

- A small taxing unit is one that sets a tax rate lower than \$0.50 per \$100 valuation and raises less than \$500,000 when multiplied by the current taxable value.
- Small taxing units have a special notice process. Texas Tax Code Section 26.052(e).

RESOURCES:

- **Truth in Taxation Property Tax Notices**
- Propose a property tax rate that does not exceed the lower of the effective tax rate or the rollback tax rate. Comptroller's Form 50-818.
- Propose a property tax rate that exceeds the lower of the effective tax rate or the rollback tax rate. Comptroller's Form 50-819.
- <https://comptroller.texas.gov/taxes/property-tax/truth-in-taxation/notices.php>

RESOURCES:

- <https://comptroller.texas.gov/taxes/property-tax/truth-in-taxation/>
- https://www.tml.org/legal_topics-legal_finance
- <https://www.tml.org/p/2016%20Tax%20and%20Budget%20Deadlines.pdf>

THE END