

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
- Cover sheet for adopted budget (LGC Sec. 102.007)
 - 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 – Sec. 102.008



Big Picture

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



Property Tax Rate Setting Process



- Governed by Chapter 26 of the Tax Code
- Premised on concept of Truth in Taxation
- Property tax rate consists of maintenance and operations and debt service (M&O + I&S)



Tax Rate Terms to Know

- No-new revenue rate
- Voter-approval rate
- De-minimis rate
- Unused increment rate



Tax Rate Adoption Timeline

1. **July 25th – Chief Appraiser certifies the appraisal roll or provides a certified estimate to county assessor-collector.**
 - Designated officer or employee uses roll or estimate to calculate no-new-revenue rate and voter-approval rate.
 - What about de minimis rate?



Tax Rate Adoption Timeline

2. August 7th – Designated officer or employee must submit tax rates to city council.

- Also, city must provide website notice of tax rates, M&O and I&S balances, and debt obligation schedule posted to city’s website.
- As soon as practicable after the designated officer or employee calculates the city’s tax rates, the designated officer or employee shall submit the tax rate calculation forms used in calculating the rates to the county assessor-collector for each county in which all or part of the city is located.



Tax Rate Adoption Timeline

3. Notice of Tax Rate Hearing and Tax Rate Hearing. If city adopts tax rate exceeding no-new-revenue rate, must hold a hearing at least five days after notice is given.

- Exception for “low tax levy” city
- Contents of notice
- Notice mailed or published/posted online
- Only one hearing and tax rate can be adopted at conclusion of hearing



Tax Rate Adoption Timeline

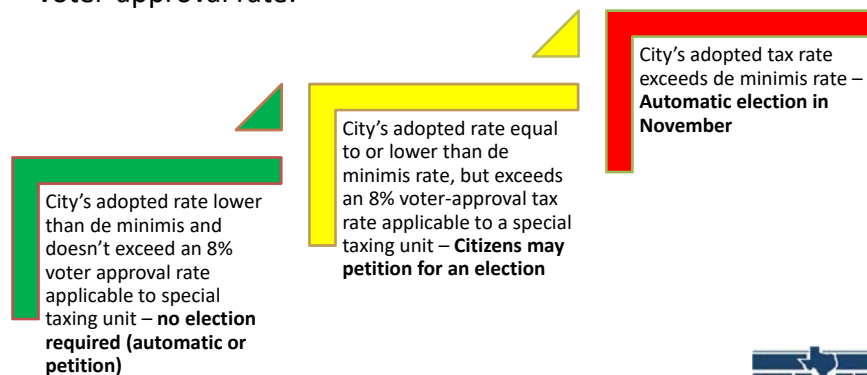
4. Tax Rate Adoption

- **August 29** -last day to adopt a tax rate exceeding the voter-approval tax rate (**August 22** if election required)
- **September 29** – Last day to adopt tax rate that doesn't exceed voter-approval tax rate
 - 60 percent of governing body must vote in favor of tax rate that exceeds no-new-revenue rate.
 - Numerous other "truth-in-taxation" requirements for rate exceeding no-new-revenue rate



De Minimis Rate, Illustrated

The following applies to a city with a population under 30,000 and assumes the de minimis rate exceeds the 3.5 percent voter-approval rate:



Failure to Comply With State Law



Contacts

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