



Overview of Budget & Tax Rate Adoption¹

A community college board's annual process of budget approval and property tax rate adoption is not solely an exercise in financial management. Boards must also coordinate efforts with other local and state taxing officials, take special measures to ensure public access to the process, and depending on the financial analysis, prepare for a voter approval tax rate election (VATRE).

This overview outlines the steps involved in the process and provides detail for the accompanying [Timelines for Budget & Tax Rate Adoption](#) published by TASB Community College Services. For additional information on this topic, see TASB Policies CC(LEGAL) and (LOCAL) and CAI (LEGAL) and the Texas Comptroller's [Property Tax Assistance](#) website.

Tax Rate Calculations

A community college's first duty is to calculate two specific tax rates based on property information received from the college's tax assessor and collector. The process starts on April 1, when the chief appraiser communicates the form for the appraisal roll, and then by July 25 certifies the appraisal roll or an estimate for the property value in the college's taxing district to the college's tax assessor. Tex. Tax Code § 26.01(a)-(a-1).

The tax assessor must submit the taxable value of property within the community college's taxing district and the tax collector must submit the anticipated collection rate for the current year to the board by August 1 or as soon thereafter as practicable. A board-designated college officer or employee uses this information to calculate:

- (1) the no-new-revenue (NNR) tax rate; and
- (2) the voter-approval tax rate.

The NNR tax rate is the rate applied to current year property values that would generate the same amount of taxes if applied to the same properties that are taxed in both the current and prior year. If property values have risen, the NNR rate should decline. Tex. Tax Code § 26.04(b)-(c).

In contrast, the voter-approval tax rate applies an 8% increase to the prior year's maintenance and operations levy, plus the amount necessary to pay the college's debt payments for the coming year. This is the highest rate that the college may adopt without holding an election to seek voter approval of the rate. Once established, these two rate

¹ An electronic version of this document is available on [TASB College eLaw](https://tasb.org/services/community-college-services/resources/tasb-college-elaw/documents/cc-overview-budget-tax-rate-adoption.pdf) at tasb.org/services/community-college-services/resources/tasb-college-elaw/documents/cc-overview-budget-tax-rate-adoption.pdf.

calculations set the parameters for the board's tax rate adoption procedures that follow. Tex. Tax Code § 26.04(c)(2); Texas Comptroller of Public Accounts, Form 50-856, Tax Rate Calculation Worksheet.

The designated college officer or employee calculates the two rates in accordance with the Tax Code, certifies the financial information on [Form 50-856](#) published by the Texas Comptroller, and submits the form to the assessor-collector for each county in which all or part of the community college's taxing district is located. The deadline for the designated representative to submit the tax rate calculations to the college's board is August 7 or as soon thereafter as practicable. This is also the deadline for posting the rate calculation forms on the college's homepage. Tex. Tax Code § 26.04(d-1)-(e).

The appraisal district's chief appraiser must also notify taxpayers directly by August 7, or as soon thereafter as practicable, that information about the community college's tax rates is available on its property tax database, and also update the information continuously throughout the tax rate adoption process. The community college board's authority to proceed with its tax rate hearing depends on the appraiser's timely execution of this duty. Tex. Tax Code §§ 26.04(e-2), .05(d-1)-(d-2), .17.

Budget Approval

On or before September 1, a community college board must approve an itemized budget for the fiscal year that begins on September 1 at a regular or special meeting. The college's budget must:

- (1) include general revenue, local funds, and estimated institutional funds;
- (2) include detail by department for current and prior year;
- (3) include a summary by functional categories for current and prior year;
- (4) include a summary of the instructional budget by college or school for the current and preceding year;
- (5) include a summary by amount and method of finance for each listed informational item in the general appropriation act, and
- (6) be prepared within the limits of revenue available.

In addition, the budget must meet the Texas Higher Education Coordinating Board's more detailed [requirements](#) and SACSCOC's [standards](#). It must include as an appendix the tax rate calculation form certified by the board-designated officer or employee described above. Current as well as prior year's budgetary information must be posted on the community college's website. Tex. Educ. Code § 51.0051; Tex. Tax Code §§ 26.04(e-5), .18;

19 Tex. Admin. Code §§ 13.42, .45. Tex. Higher Educ. Coordinating Bd., [Budget Requirements and Annual Financial Reporting Requirements for Texas Community Colleges](#); Southern Assoc. of Colls. and Schs., [The Principles of Accreditation: Foundations for Quality Enhancement](#) (2017).

Because the budget informs a community college's final tax rate, TASB Community College Services recommends that a community college board adopt the budget before adopting the tax rate. This may necessitate that the board adopt the budget before the September 1 deadline set out in the Texas Education Code section 51.0051. For example, to accommodate the deadlines for a required VATRE election, it is recommended that the board adopt the budget by August 22. Tex. Educ. Code § 51.0051; Tex. Tax Code § 26.05(a)-(b).

Tax Rate Adoption

A community college board separately approves two components that, together, make up the adopted tax rate. The first component is the rate for servicing the college's debt for the coming year, and the second is the rate necessary to fund the college's annual maintenance and operations. Though the adoption of the tax rate may occur at the same board meeting as the approval of the budget, the board's vote on the budget must be separate from its votes on each of these two tax rate components. The process to adopt the tax rate varies based on how the rate relates to the NNR and voter-approval tax rates. Tex. Tax Code § 26.05(a)-(b).

Tax Rate Below Both the NNR and Voter-Approval Tax Rates

Tax rate adoption may occur at a regular board meeting if the rate is below both the NNR and voter-approval tax rates. If the tax rate will be taken up at a regular board meeting, the meeting notice must include plain-language statements, as prescribed by the Texas Tax Code, about the proposed tax rate adoption that explain that the proposed rate does not raise property taxes, and also compares tax calculations for the current year with the previous year, notifying taxpayers that they may express support or opposition to the proposed tax rate directly to the college or at the board meeting. Tex. Tax Code §§ 26.05(d), .061, .062.

The deadline for the tax rate adoption is September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, if not received on August 1. Tex. Tax Code § 26.05(a).

Tax Rate Above the NNR Tax Rate but Below the Voter-Approval Tax Rate

If a community college's tax rate will be above the NNR tax rate but below the voter-approval tax rate, the community college board must hold a public hearing, which can be paired with or held separately from a regular board meeting. Tex. Tax Code §§ 26.05(d), .06(d).

The community college may not adopt a tax rate above the NNR rate unless it complies with the notice and other requirements related to the public hearing. The college must provide at least five days' prior public notice of the hearing through mail delivery to each property owner in the taxing district or, alternatively, publication in a newspaper. The college must also prominently and continuously display the notice on the college's homepage for a minimum of seven days immediately prior to the hearing and at least seven days before the vote. Additional notice is required via television, if free access is available to the college, for seven days before the hearing and also before the vote. Tex. Tax. Code §§ 26.05(d), .06(c), .065(b)-(c).

The timeline for the public hearing also depends on the appraiser's timely notification to taxpayers of the community college's tax rate information through the property tax database, initially by August 7 and then continually updated thereafter. The failure of the board—or the chief tax appraiser—to meet their specific public notice requirements, or to satisfy certain other Tax Code mandates, may entitle taxpayers to an injunction restraining the collection of taxes. Tex. Tax Code §§ 26.04(e-2), .05(d-1), (e), .17(f).

The public hearing and subsequent vote must occur in a public building, or if one is unavailable, a building where the public has access, within the community college district. The community college board must provide an adequate opportunity for both proponents and opponents of the tax increase to present their views. Often the board votes on the tax rate immediately following the hearing. However, if the college chooses to hold the vote separately from the public hearing, the vote must occur no later than the seventh day after the public hearing, and the date, time, and place of the meeting must be announced at the public hearing. A supermajority of 60% of the board is required to adopt a tax rate greater than the NNR tax rate. Tex. Tax Code §§ 26.05(b), .06(a), (d)-(e).

Tax Rate Above the Voter-Approval Tax Rate

A VATRE is required by operation of law if a community college board adopts a tax rate that is greater than the voter-approval tax rate. Therefore, if the initial tax rate calculations indicate that the board's adopted tax rate might exceed the voter approval tax rate, timelines must be accelerated to accommodate the deadline to order the election. The board must issue the election order no later than 78 days prior to the election. On the uniform election date in November, voters determine whether the board-adopted rate goes into effect or is limited to the voter-approval tax rate. Tex. Tax Code §§ 26.05(a), .07(b)-(e); Tex. Elec. Code § 3.005.

In adopting a tax rate that exceeds the voter-approval tax rate, the community college board must follow the same public hearing notice and procedural requirements as those described above for a rate exceeding the NNR rate. Tex. Tax Code § 26.05(d).

Though rare, the community college's tax rate may exceed the voter-approval tax rate but not the NNR tax rate. If that is the case, the college should consult the college's attorney to address any necessary changes to the tax rate adoption procedures.

After the Budget and Tax Rate Adoption

After adopting a tax rate, a community college must notify the county assessor-collector in each county where college district territory is located of the college's tax rate, the maintenance and operations rate, the debt rate, the NNR tax and maintenance and operations rates, and the voter-approval tax rate. Any changes required by the results of the election may be made by budget amendment and updated with the county assessor-collectors. The assessor-collector maintains the information for the most recent five tax years in the property tax database on the appraisal district's website. The college must also maintain budgetary and property-tax-related information for the current year and the two prior years on its website. Tex. Tax Code §§ 26.16(a)-(b), .18.

The college must also submit its annual, itemized budget to the Texas Higher Education Coordinating Board, the Legislative Budget Board, the governor's Office of Budget and Policy, and the Legislative Reference Library by December 1. Tex. Educ. Code § 51.0051; 19 Tex. Admin. Code § 13.43.

For more information on community college law topics,
visit TASB College eLaw online at colleges.tasb.org/elaw.

This document is provided for educational purposes and contains information to facilitate a general understanding of the law. References to judicial or other official proceedings are intended to be a fair and impartial account of public records, which may contain allegations that are not true. This publication is not an exhaustive treatment of the law, nor is it intended to substitute for the advice of an attorney. Consult your own attorney to apply these legal principles to specific fact situations.

Published June 2022