School District Voter-Approval Tax Rate Elections in 2023

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NOTE REGARDING SB 2 (2nd Called Session, 2023): Senate Bill 2 was passed by the legislature during the second called session and signed by the governor on July 22, 2023. The bill does several things to provide tax relief, including further compression of school district tax rates and increasing the school district homestead exemption from $40,000 to $100,000. The latter change requires voter approval of an amendment to the Texas Constitution. Although the effectiveness of much of SB 2 hinges on the approval of the constitutional amendment, the bill requires that tax rates be calculated and that tax bills be prepared and sent as if the changes in law made by SB 2 were in effect for tax year 2023.

This memo outlines the procedures a school district must follow in conducting a voter-approval tax rate election (VATRE). For more information on adopting the district’s budget and tax rate, see the following TASB Legal Services resources:

- School District Budget and Tax Rate Adoption in 2023
- Timeline for Budget/Tax Rate Adoption and Voter-Approval Tax Rate Elections
- School District Tax Rates and Website Posting Requirements

State Resources: The Texas Comptroller’s Truth-in-Taxation (TNT) website provides information about VATREs, a sample ballot, calculation worksheets, and other helpful resources.

Region 13 ESC publishes a template to estimate state aid that may assist districts in calculating their tax rates. TASBO’s Center for School Finance provides resources for its members.

Voter-Approval Tax Rate (VATR): A district’s VATR is the sum of the following:

- the district’s MCR for the current year;
- the greater of
  - the district’s enrichment tax rate (tier two pennies) for the preceding year, less any amount by which the district is required to reduce its enrichment tax rate under Texas Education Code section 48.202(f) in the current year; or

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1 An increase in the basic allotment triggers compression of a district’s copper pennies, that is, the district’s tax effort above its MCR plus eight cents. Tex. Educ. Code § 48.202(f).
• $0.05; and
• the district’s current debt rate.  

Tax Swaps Prohibited: A district may not levy its M&O taxes at a rate intended to create a surplus in M&O revenue for the purpose of paying the district’s debt service. If a district violates this provision, a district taxpayer is entitled to an injunction restraining the collection of taxes by the district. In addition, TEA may investigate the district and impose consequences for a violation.  

Voter-Approval Tax Rate Election (VATRE): If a school board adopts a tax rate that exceeds its VATR, it must hold a VATRE for the voters of the district to approve that rate.

Exceptions: In some circumstances, a higher tax rate may be adopted without conducting a VATRE:

• Disaster: When increased expenditures are necessary to respond to a disaster, including a tornado, hurricane, flood, wildfire, or other calamity, but not drought, epidemic, or pandemic, that has impacted a district and the governor has requested federal disaster assistance for the area in which the district is located, a VATRE is not required to approve the tax rate adopted by the board for the year following the year in which the disaster occurs. A tax rate adopted under this exception applies only in the year for which it is adopted. If a district adopts a rate under this exception, the amount by which that rate exceeds the district’s VATR for that tax year may not be considered when calculating the district’s VATR for the next tax year.  

A district that relies on this exception must specify the disaster declaration that provides the basis for authorizing the district to adopt a tax rate that exceeds its VATR without holding a VATRE. A district that specifies a disaster declaration may not specify the same disaster in a subsequent tax year if the district specifies a different disaster in an intervening tax year.  

• Pollution Control Equipment: Some districts may be eligible for a higher VATR due to pollution control efforts as determined by the Texas Commission on Environmental Quality (TCEQ).  

Efficiency Audit: Unless the disaster exception discussed below applies, the board must conduct an efficiency audit before holding a VATRE. The Legislative Budget Board has established mandatory guidelines identifying the scope and areas of investigation of an efficiency audit. According to the guidelines, the purpose of the efficiency audit is to provide information to voters regarding a school district’s fiscal management, efficiency, and utilization of resources before a VATRE. A district must pay the costs associated with an audit.

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2 Tex. Tax Code § 26.08(n).
4 Tex. Tax Code § 26.042(e)-(f).
5 Tex. Tax Code § 26.042(g).
Disaster Exception: The board of a district located in an area declared a disaster area by the governor may hold a VATRE during the two-year period following the date of the declaration without conducting an efficiency audit.

Audit Deadlines:

- **Four months before VATRE—Select Auditor:** The board must select an auditor to conduct an efficiency audit not later than four months before the date on which the district proposes to hold a VATRE. The board may select the auditor that conducts the district’s annual audit to conduct the efficiency audit and may include the efficiency audit as part of the district’s annual audit. The auditor must follow the LBB guidelines.

- **Three months after auditor selection—Complete Audit:** An auditor must maintain independence from the district and complete the efficiency audit not later than three months after the date the auditor was selected. A district must provide all documents, records, and personnel requested by the auditor as needed to conduct the audit in an efficient manner.

- **Thirty days before VATRE—Post Results and Conduct Meeting:** Not later than 30 days before the date of the VATRE, the results of an efficiency audit must be posted on the district’s website. Before the VATRE, the board must hold an open meeting to discuss the results.

Uniform Election Date: A VATRE must be held on a uniform election date. Because of the process required to adopt a tax rate, a district will hold a VATRE on the November uniform election date. The deadline to order an election on a uniform election date is not later than the 78th day before election day. For a November election, this deadline falls in mid-August. The board must adopt the budget and tax rate before ordering a VATRE.

All other deadlines and requirements of the Texas Election Code apply to a VATRE. For each uniform election date, the Secretary of State Elections Division publishes a comprehensive Election Law Calendar with all relevant dates and requirements. Likewise, TASB Legal Services publishes a memo of the deadlines relevant to school district elections.

- **Joint Election Not Generally Required:** VATREs are not required to be held jointly with other political subdivisions unless the district holds its VATRE at the same time as its trustee election. In that case, the VATRE will be subject to the same joint election requirements as the trustee election.

- **Campaign Speech Reminder:** Public funds may not be used for political advertising or electioneering to support a VATRE. School districts are permitted, however, to disseminate purely factual information about a VATRE, including specific information about the election

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7 Tex. Tax Code § 26.08(b).
8 Tex. Elec. Code § 3.005(c).
(date, polling sites, etc.), as long as there is no advocacy in any materials. For more information, see TASB Legal Services’ Campaign Speech During Elections and the Texas Ethics Commission’s A Short Guide to the Prohibition against Using School District Resources for Political Advertising in Connection with an Election (revised Oct. 13, 2017).

**Ballot Language:** The VATRE ballot must permit voting for or against the proposition:

Ratifying the ad valorem tax rate of ___ (insert adopted tax rate) in (name of school district) for the current year, a rate that will result in an increase of ______ (insert percentage increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year) percent in maintenance and operations tax revenue for the district for the current year as compared to the preceding year, which is an additional $____ (insert dollar amount of increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year).\(^{10}\)

A sample ballot can be found on the Comptroller’s TNT website in the Elections to Approve Tax Rate section under School Districts.

**Election Outcome:** If a majority of the votes cast in a VATRE favor the proposition to approve the rate, the tax rate for the current year is the rate adopted by the board. If the proposition is not approved, the board may not adopt a rate that exceeds the district’s VATR.\(^{11}\)

For additional questions concerning VATREs, please contact TEA, the Texas Comptroller, the Secretary of State Elections Division, your district’s attorney, or TASB Legal Services at 800.580.5345.

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10 Tex. Tax Code § 26.08(b).
11 Tex. Tax Code § 26.08(c)-(d).