

# Voter-Approval Tax Rate Election (VATRE)

## Key Points

- Since 2019, school district M&O rates have been reduced through the calculation of a “maximum compressed rate” (MCR) using revenue generated from school district property value growth in excess of 2.5%.
- The state reimburses school districts for lost property tax revenue due to the lower tax rate.
- A school board can adopt an M&O tax rate up to the MCR rate + \$0.17 with voter approval through a voter-approval tax rate election, or VATRE.
- An efficiency audit must be conducted before scheduling an election.
- The election must be held on a uniform election day.

## School District Maintenance & Operations (M&O) Tax Rate Compression

During each legislative session, the Legislature adopts a state budget for the upcoming two-year biennium. During the budget process, legislators receive estimates of statewide property value growth for use in determining the amount of state aid that will be sent to school districts in each year of the biennium. These value growth estimates are stated in Rider 3 of Article III of the state budget.

HB 3, passed in 2019 by the 86th Legislature, required school districts to compress the \$1.00 Tier 1 M&O tax rate levied by school districts by 7%, establishing a statewide maximum compressed rate (MCR) of \$0.93 to be levied by districts. The bill further directed the Texas Education Agency to use the value growth estimates in Rider 3, Article III to calculate a statewide MCR for each subsequent school year using estimated property value growth in excess of 2.5%.

TEA was also directed to annually calculate a separate Tier 1 rate for each school district beginning in the 2020 tax year using the actual value growth rate for that district and compare it to the statewide MCR. The school district is then assigned the lower of the two rates for that school year and is reimbursed by the state for any revenue lost due to the compression. In an effort to maintain tax rate equity among school districts, no school district can be assigned a Tier 1 rate that is less than 90% of the statewide MCR. In order to qualify for its full formula entitlement, the school district must levy the rate assigned to it.

The estimated value growth rate for tax year 2024 is 2.87%, so the upper and lower MCR rates can be calculated. School boards can add up to \$0.17 to this rate for maintenance and operations, plus the district’s I&S rate for debt service as described on page 2.

### MCR Upper Limit, Tax Year 2024

Prior Year Upper Limit: \$0.6880  
 $\$0.6880 \times (1.025/1.0287) = \$0.6855$

**Tax Year 2024 Upper Limit: \$0.6855**

### MCR Lower Limit, Tax Year 2024

Tax Year 2024 Upper Limit: \$0.6855  
 $\$0.6855 \times 90\% = \$0.6169$

**Tax Year 2024 Lower Limit: \$0.6169**

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School boards are required to adopt a budget and tax rate to finance that budget each year. As part of that process, the school board is required to calculate a “voter-approval tax rate” (previously known as the “rollback” rate). A voter-approval tax rate election (VATRE) is required if a school board adopts a tax rate that exceeds its voter-approval rate.

The voter-approval tax rate is (1) the district’s Tier 1 rate for that school year (MCR), plus (2) the greater of the district’s Tier 2 pennies levied in the previous school year or \$0.05, plus (3) the district’s I&S (debt) rate.

Voter-approval tax rate elections must be held on a uniform election date, and a school district must conduct an efficiency audit before holding an election. The proposition to approve the tax rate adopted by the school board is placed on the ballot is-

sued to voters in the school district on election day. If the proposition is approved by a majority of voters, the school district will levy the approved rate to finance its budget for that year. If the proposition fails, the school district will reduce the rate levied to the voter-approval tax rate.

The requirements for a VATRE and an efficiency audit are waived if the school district is located in a disaster area and additional spending is required due to the disaster. The election is waived in the year following the year of the disaster, and the efficiency audit is waived for two years. A disaster includes a tornado, hurricane, flood, wildfire, or other calamity, but does not include a drought, and the governor must have requested federal disaster assistance for the area in which the school district is located. If a school district utilizes this provision, the district must hold an election in the following year to maintain the higher rate.

### Voter-Approval Tax Rate

- 1) District’s Maximum Tier 1 Compressed Tax Rate (MCR)
- + 2) Greater of
  - (a) district’s prior year enrichment tax rate [Tier 2] or
  - (b) \$0.05
- + 3) District’s I&S (Debt) Rate

### Important Dates Pertaining to Voter-Approval Tax Rate Elections on November 5 Ballot

**August 5, 2024:** Deadline for TEA to issue preliminary maximum compressed tax rate (MCR) to each district.

**August 9, 2024:** Deadline for districts to publish “Notice of Public Meeting to Discuss Budget and Proposed Tax Rate” if ordering a VATRE.

**August 15, 2024:** Deadline to appeal preliminary MCR (or 10 calendar days after TEA issues preliminary MCR). MCR becomes final if not appealed.

**August 19, 2024:** Deadline to order an election to be held on the November 5 uniform election date (78th day before Election Day). A district must adopt its budget and tax rate before ordering an election.

**August 31, 2024:** Deadline for TEA to issue final MCR rate if appealed.

**October 6, 2024:** Efficiency audit results must be posted on district website (no later than thirty days before Election Day). School board must hold an open meeting before election day to discuss the results.

**November 5, 2024:** Uniform election date for VATRE (first Tuesday after first Monday in November).