Adopting the Tax Rate

Background

The district's tax rate consists of two components:

Maintenance and Operations (M&O)

Interest & Sinking (I&S) (or debt service)

Depending on how the rate to be adopted (M&O and I&S) compares to other tax rates calculated for the district, the board may have to follow additional steps.

Will the rate to be adopted (M&O and I&S) exceed the No-New-Revenue tax rate?

The NNR tax rate is the rate that would generate no additional local tax revenue; it does not consider state aid or recapture. (Form 50-859)

The district's NNR tax rate is $ 1.0505.

If the rate to be adopted exceeds the NNR tax rate, this motion is required: "I move that the property tax rate be increased by the adoption of a tax rate of $1.0620, which is effectively a 1.09percent increase in the tax rate."

1.0620 - 1.0505 =0.0115

.0115/1.0505 =.109

.109*100 = 1.09%

Will the rate to be adopted exceed the Rate to Maintain Same Level of M&O Revenue & Pay Debt Service?

The Rate to Maintain Same Level of M&O Revenue is the rate that would generate the same revenue per student as in the prior year; it does consider state aid and recapture. The district’s rate to pay debt service (minimum debt rate) is then added.

The district’s Rate to Maintain Same Level of M&O Revenue & Pay Debt Service is $.9621/$100. (Newspaper Notice and Revenue Template)

If the rate to be adopted exceeds the Rate to Maintain Same Level of M&O Revenue and Pay Debt Service, a 60% record vote (5 members regardless of attendance) is required.

Will the M&O rate to be adopted impose an amount of taxes that exceeds the amount in the preceding year?

If the M&O rate to be adopted, when applied to total taxable value, will impose an amount of M&O taxes that exceeds the amount in the preceding year, additional language is required in the resolution / ordinance and on the district website: • Resolution / ordinance: "THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE."

Home page of district website: “MILLSAP ISD ADOPTED A TAX RATE THAT WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE"

1.0620* $724,536,753/100 = $5,595,626 > $5,521,977 (2025 M&O taxes)

Adopting an I&S Rate in 2026

Approving a Higher I&S Rate

SB 1453 Changed the Process • The 89th legislature passed Senate Bill 1453, effective on January 1, 2026. •

This bill changed Texas Education Code and Tax Code provisions related to calculating and adopting the district's interest and sinking (I&S) tax rate (a.k.a. debt service tax rate).

Now we must calculate our minimum debt service tax rate.

The board may exceed this rate only if it complies with statutory requirements that include a specific motion and a 60% supermajority vote. • This motion and vote requirement are in addition to other existing requirements we may have to satisfy in adopting the tax rate.

Approve v. Adopt

The Tax Code uses both terms at different stages of the tax rate adoption process.

If the board wants to exceed the district’s minimum debt rate, the board must first approve a higher I&S rate.

Ultimately, the board will adopt the district’s tax rate, which consists of two components:

Maintenance and Operations (M&O)

Interest & Sinking (I&S) (or debt service) – either the minimum or the approved higher rate

Minimum Debt Rate

A school district’s rate to pay debt service is determined under a lengthy definition in Education Code section 44.004(c)(5)(A)(ii)(b).

The definition calculates the rate that would provide the minimum dollar amount required to be paid to service the district’s debt. •

The minimum debt rate for our district is $.1238/ $100 . (Form 50-859)

Proposed Higher Debt Rate

The proposed higher debt rate for our district is $ .3146/$100.

Reasons to Consider a Higher Debt Rate

Early defeasance or retirement of outstanding bonded indebtedness;

Reduction of future interest costs to District taxpayers;

Payment of scheduled or anticipated debt obligations;

and/or other lawful debt service expenditures authorized under Texas law

Steps to Approve a Higher Debt Rate

Motion to approve the higher rate: "I move that a proposed rate to pay debt service of $ .3146 per $100 of taxable value be approved. This rate exceeds the district's debt service rate determined under Texas Education Code section 44.004(c)(5)(A)(ii)(b) of $.1238 by $.1908. The excess revenue collected from the proposed rate will be used for early defeasance or retirement of outstanding bonded indebtedness, etc."

60% vote required (5 members regardless of attendance)

Once these steps are complete, the board can move on to adopt the tax rate (both M&O and I&S) following the steps you have followed in the past.

What if the motion fails to get 60%?

If the motion to approve a higher rate does not get the required 60% vote, the board may not adopt the higher rate.

The board will proceed to adopt a tax rate that includes the minimum debt rate following the tax rate adoption steps as in past years.

What if the motion gets 60%?

If the motion to approve a higher rate passes with a 60% vote, the higher rate is used to calculate the district’s new voter-approval tax rate.

The board may proceed to adopt a tax rate that includes the higher debt rate following the tax rate adoption steps as in past years.