

Approval of Tax Rate Ordinance

September 27, 2022

SUMMARY:

This item requests approval of the Tax Rate Ordinance for 2022.

PREVIOUS BOARD ACTION:

This item is routinely acted upon each year.

BACKGROUND INFORMATION:

The Board reviewed preliminary values for the 2022-2023 school year as part of its budget presentations. These preliminary values are subject to change after the appraisal district conducts its appraisal review board hearings. The certified values are typically received by entities by July 25th. For tax year 2022, certified values were not received until September 12th. The appraisal roll, as presented by the Denton Central Appraisal District, must then be approved by the Board of Trustees.

The certified collection rate is used in the tax rate calculations. The District routinely recommends a 100% collection rate since overall collections generally range around this figure. A district may not certify a collection rate greater than 100%.

The District must authorize someone to calculate and certify the District's voter approval tax rate. For the past several years, this has been the Denton County Tax Assessor/Collector. Provision for this function was included in the tax collection contract with the county that was approved by the Board and signed on August 10, 2021.

The District must adopt the tax rate by September 30, 2022 or 60 days after receiving the certified appraisal roll, whichever date is later.

SIGNIFICANT ISSUES:

The proposed tax rate is as follows:

M & O	\$.8646
Debt Service	\$.48
Total	\$ 1.3446

FISCAL IMPLICATIONS:

House Bill 3, 86th Legislature: HB 3 requires additional tax rate compression as property values continue to grow. The compression applies to the Tier 1 portion of our M&O tax rate. Districts which grow faster than the statewide average growth rate will see their tax rates compressed further. Beginning with the 2020 tax year, a school district's Tier 1 M&O tax rate is calculated and set by the Texas Education Agency. Denton ISD received a calculated Tier 1 rate of \$.8046. The Tier 2 portion remains at \$0.06. The debt service rate portion is the tax rate necessary to pay the school's debt payments in the coming year. House Bill 3 made no changes to the calculation of a district's debt service tax rate. The 2022 voter approval rate is \$1.3446.

BENEFIT OF ACTION:

Passage will allow the district to notify the Denton County Tax Office of the adopted tax rate so that they may begin preparation of the tax bills. The tax bills must be mailed to each property owner by October 10th or as soon thereafter as practicable.

PUBLIC COMMENT RECEIVED:

A Public Hearing was held on June 7, 2022 to discuss the budget and proposed tax rate.

SUPERINTENDENT'S RECOMMENDATION:

This year's voter approval tax rate was calculated at \$1.3446 and the no-new-revenue tax rate was \$1.1860. Recommend approval of the Ordinance Setting the Tax Rate for 2022.

"I move that the property tax rate be increased by the adoption of a tax rate of \$1.3446, which is effectively a 22.46% percent increase in the tax rate."

Additional comments from Dr. Niven: All additional tax revenue generated above the no-new-revenue tax rate (or the entire 22.46% increase) only benefits the state budget and does not benefit the District budget or local taxpayers.

The District tax rate is set by TEA and is actually set at the lowest possible rate for this budget year. The proposed tax rate is not increasing by 22.46% over the prior year adopted tax rate. This motion (required by law to be stated) represents the increase as compared to the No-New-Revenue Tax Rate.

The No-New-Revenue Tax Rate is the rate that would produce the same amount of taxes if applied to the same properties taxed in both years. It is essentially the tax rate that would produce the same revenue as the prior year.

STAFF PERSONS RESPONSIBLE:

Dr. J. Scott Niven, Deputy Superintendent
Jennifer Stewart, Executive Director of Budget

ATTACHMENT:

Ordinance Setting the Tax Rate

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Leader: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____