History of Tax Rates

Texas Education Code (TEC) and Texas Property Tax Code (TPTC) References

TEC, §§44.004; Chapter 26

History/Relevant Background Information

A school district's property tax rate is made up of a maintenance and operations (M&O) tax rate and, if applicable, an Interest and Sinking (I&S) tax rate. The M&O tax rate provides funds for maintenance and operations and the I&S tax rate provides funds for payments on the debt that finances a district's facilities. The calculation of state funding for school districts is tied to tax effort, thus tax rates provide an essential component in the state's school finance formulas.

Description of Tax Rates

State law places a tax rate cap of $1.17 on M&O rates, with the exception of six school districts in Harris County which have the authority to adopt tax rates above this cap. These districts are Aldine, Deer Park, Galena Park, Katy, Pasadena, and Spring Branch ISDs.

To provide property tax relief, the Texas Legislature established a "compressed" tax rate beginning with the 2006–2007 tax year. A district's compressed tax rate (DCR) is its 2005 M&O tax rate multiplied by the state compression percentage, which is 0.6667. If, for example, a district had a 2005 M&O tax rate of $1.50, then its compressed tax rate would be $1.00.

In order to tax more than $0.06 above the compressed rate, a school district's voters must ratify a higher tax rate. This is called a tax ratification election.

To receive funding related to revenue at the compressed tax rate, a district must adopt a tax rate at least equal to its DCR.

History of Maintenance and Operations (M&O) Tax Rate						
Year of property value assessment	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
# districts at M&O statutory maximum	556	9	97	146	181	217
# districts w/ rollback or TRE elections	17	15	120	117	47	69
# districts w/ successful TREs	15	14	94	71	29	55
# districts below $1.00	5	6	98	67	57	52
M&O Rate (average)	1.4567	1.3225	1.4179	1.0521	1.0570	1.0642
I&S Rate (average)	0.1117	0.1185	0.1456	0.1575	0.1645	0.1702
Total Rate (average)	**1.5684**	**1.4410**	**1.5635**	**1.2096**	**1.2215**	**1.2344**

Contact for More Information

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