



To the Administrator Addressed

Commissioner Mike Morath

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DATE:	April 25, 2024
SUBJECT:	Tax Year 2024 Maximum Compressed Tax Rates
CATEGORY:	Funding Implications; Tax rate compression
NEXT STEPS:	Share with business and finance staff

This letter details matters regarding tax rates for the 2024 tax year (TY) and the related state funding implications for the 2024–2025 school year (SY) based on Texas Education Code (TEC), §§48.255, 48.2551, and 48.2552, and 19 Texas Administrative Code (TAC) §61.1000. It is important to remember that Tier One tax compression does not impact the overall level of funding to which a district is entitled. Rather, tax compression only impacts the balance of state and local share of a school district’s total Tier One entitlement. This notice does not apply to open-enrollment charter schools. Nothing stated in this correspondence supersedes the Texas Tax Code, Texas Education Code, or the Texas Administrative Code.

Tier One Tax Compression

State and local compression work in parallel to determine a district’s maximum compressed tax rate (MCR) for Tier One. Districts receive the method which results in the greatest amount of compression (i.e., the lowest tax rate) for this portion of Maintenance and Operations (M&O) taxes.

State Compression

To determine the MCR for a given tax year, state compression: (1) compares the extent to which estimated statewide property value growth (set by the General Appropriations Act at 2.87 percent for TY 2024) exceeds 2.5 percent, and (2) may further reduce the maximum state compression rate in accordance with TEC, §48.2552(c), after accounting for additional state revenue as determined under TEC, §48.2552(b). See calculations below. [Note, a reduction of type (2) will not occur in TY 2024.]

$$\text{TY 2024 State MCR: } 0.6880 \times (1.025 \div 1.0287) - 0.0000 = \mathbf{\$0.6855}$$

Local Compression

Similarly, local compression uses individual district property value growth compared to 2.5 percent to determine the MCR, using the prior-year MCR for each district as a starting point. Since districts receive the lesser of the MCR calculated under state compression or local compression a district’s MCR may be lower than the state MCR of \$0.6855, depending on the district’s prior-year MCR and rate of local property value growth compared to 2.87%.

Limit on Local Compression

In order to maintain tax rate equity, no district may have an MCR less than 90 percent of any other district. The limit on local compression for TY 2024 is \$0.6169 ($\0.6855×0.90). This results in a range of possible TY 2024 MCRs of \$0.6169 to \$0.6855.

Additional Pending Tax Rate Compression Calculations

The Texas Education Agency (TEA) will open a data collection from July 18, 2024, through August 1, 2024. This data collection will focus on local school district property tax data for TY 2024 and historical local property values. The agency will use the locally estimated property value growth rates to calculate estimates of comptroller-certified property values used for state funding purposes (i.e., “T2” property values) and then will determine and make available maximum compressed Tier One tax rates in August 2024. More details related to this data collection will come via email notifications to subscribers of Public School Funding Updates in July 2024. Sign up to [receive email notifications](#) for Public School Funding Updates.

Reminder about Tier Two and Voter Approval Tax Rate Elections

Pursuant to Texas Tax Code, Chapter 26, §26.08(n), the maximum rate districts can adopt without a Voter Approval Tax Rate Election is the district’s maximum Tier One compressed rate as discussed above, plus the greater of:

- five golden pennies; or
- the number of Tier Two voter-authorized enrichment pennies set in the prior year (subject to compression of the copper pennies only in a year when the state increases the guaranteed yield on those pennies).

The basis for determining whether voter approval elections are required will begin with the district’s TY 2024 MCR plus the number of enrichment pennies authorized and set in TY 2023, less any pennies adopted under disaster provisions. See Texas Tax Code, §26.042(e), (f) and (g).

Tier	Pennies	Action Required to Access
Tier Two Copper Pennies	9 – 17	Voter Approval Required (or previously authorized and set in TY 2023)
Tier Two Golden Pennies	6 – 8	Voter Approval Required (or previously authorized and set in TY 2023)
Tier Two Golden Pennies	1 – 5	No Voter Approval
Tier One	0 - MCR	No Voter Approval

Maximum M&O tax rate for TY 2024 and SY 2024–2025

The maximum M&O tax rate for any district in TY 2024 will be \$0.8555 (\$0.6855 + \$0.17)¹. Districts with local compression that exceeds state compression will have a lower maximum M&O tax rate.

TEA Technical Assistance in Calculating Tax Rates

A Tax Rate and MCR Template is available under the District & Charter Planning Tools subheading on the [State Funding webpage](#), which can help districts understand the inputs and calculations behind the TY 2024 MCRs.

[Note: In addition to entering the TY 2024 locally certified values based on the \$100,000 state homestead exemption, districts will also be required to enter TY 2023 locally certified values based on the \$100,000 state homestead exemption to calculate accurate growth rates. Neither the Tax Rate and MCR Template or the upcoming LPVS will have preloaded TY 2023 locally certified values (per the standard practice to use historical information) since those were based on the \$40,000 state homestead exemption.]

Districts are still required to complete the LPVS to calculate their MCR. Once the MCR is approved by TEA in August 2024, districts may adopt their 2024 tax rates in accordance with Tax Code, §26.08. A district's MCR will not be adjusted after approval by the TEA unless an appeal is granted. Please note that the purpose of this template is limited to assistance only and does not anticipate any tax rate increase that the district may be considering. Legal responsibility to adopt a tax rate in accordance with the law remains with the district, which should consult with its own legal counsel.

Questions

If you have any questions related to maximum compressed tax rates as determined under TEC, §48.2551, please contact the Division of State Funding, Forecasting and Fiscal Analysis by phone at (512) 463-9238 or by email at taxprograms@tea.texas.gov.

¹ Except for certain Harris County districts with special authorization.