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Legal Memorandum

To: Clients
From: R. Bruce Medley and Kyle Dickson, Partners
Ro'Vin Garret, Client Liaison (non-attorney)
Date: June 5, 2026
Re: SB1453 89th Regular Session, Debt Rates for School Districts

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SB 1453 Debt Rate Calculation and Approval Process

SB 1453 requires the initial debt rate calculation to be based on the "minimum dollar amount required to be paid to service the district's debt." A higher debt rate may be adopted only if at least 60 percent of the governing body votes to approve the higher rate using the language required by statute.

This memo addresses not only how the higher debt rate may be approved, but also when that approval should occur.

July 1 Fiscal Year School Districts

The budget process for July 1 fiscal year school districts is not changed. Those districts should proceed as they have in prior years.

The Notice of Public Hearing should reflect an MCR and debt rate based on the prior year's projections, unless the district anticipates that a higher debt rate may be necessary. In that case, the Notice of Public Hearing should reflect the higher projected numbers.

At this stage, the numbers are necessarily tentative. The district will not yet know its final certified values, and the MCR and voter-approval tax rate will not become official until after certification.

If, after certification and receipt of the MCR, the district determines that a higher debt rate is necessary, the district would need to follow the motion process outlined below and obtain a new recalculation. However, as long as the debt rate ultimately adopted does not exceed the debt rate stated in the Notice of Public Hearing, no new notice or public hearing should be required.

Motion Process

As soon as possible, the district should provide the minimum debt service requirement to the officer or employee designated to calculate the tax rate worksheet. The initial debt rate and voter-approval tax rate must be calculated using that minimum debt service amount.

After the initial calculation is completed, district administration should determine whether the revenue generated by the calculated debt rate, as adjusted through the worksheet, will produce the desired revenue for the upcoming year.

One possible approach is to approve the higher debt rate at the same meeting at which the governing body adopts the tax rate. This procedure appears to comply with the statute. However, it may create practical and transparency concerns. If the governing body approves the higher debt rate at the adoption meeting, the voter-approval tax rate would need to be recalculated before final adoption using the higher debt rate. The Notice of Public Hearing may already have reflected a lower voter-approval tax rate based on the lower, minimum-required debt rate.

This approach may also be confusing to taxpayers and could create logistical problems. The designated officer or employee responsible for the calculation may not be present at the meeting or may not be able or willing to recalculate the rate until after the vote approving the higher debt rate has passed. If the rate cannot be recalculated immediately, the governing body may have to delay final adoption.

A preferable approach is to approve the higher debt rate at a meeting before the tax rate adoption meeting and, if possible, at or before the meeting at which the district votes to propose a tax rate and before publication of the Notice of Public Hearing. If the higher debt rate is approved earlier, the recalculation can be completed in time for the Notice of Public Hearing to reflect the correct voter-approval tax rate.

Under this approach, the district would still retain the authority to adopt a lower debt rate at the final adoption meeting. However, this process requires the district to provide all relevant information to the designated officer or employee early enough for the initial calculation and any necessary recalculation to be completed in a timely manner.

Example Process

The district should provide the minimum debt service amounts for the fiscal year to the designated officer or employee as soon as possible. This amount should include the minimum principal payments, interest, and fees associated with those payments.

If the district intends to use unencumbered funds, or state funds for debt service, such as EDA / IFA / ASAHE*, those amounts should also be provided.

The designated officer or employee will adjust the minimum debt requirement as required by the worksheet, including by subtracting any excess debt collections from the prior year and applying the anticipated collection rate. The designated officer or employee will then complete the worksheet using those amounts.

If the district chooses to approve a higher debt rate than the rate initially calculated, the board must approve the higher rate by an affirmative vote of at least 60 percent of its members. If the motion passes, the approval should be reported to the designated officer or employee, who will recalculate the debt rate by entering the revenue amount needed to support the approved debt rate.

If this process is completed early enough, the recalculated debt rate and voter-approval tax rate can be included in the Notice of Public Hearing for districts with a September 1 fiscal year. In any event, the motion and recalculation must occur before formal tax rate adoption.

Sample Motion

I move that the proposed debt rate of __________ be approved for tax year 2026. This proposed debt rate represents a __________ increase from __________, which is the debt rate calculated to raise the minimum amount required to service debt in the next fiscal year.

The purpose of the additional revenue generated by the proposed debt rate is to: [State the purpose for the additional revenue, such as early payment of debt or an increase in debt service fund reserves.]

By approving this proposed debt rate, the governing body retains the authority to adopt a lower debt rate at final adoption.

**EDA: Existing Debt Allotment*
IFA: Instructional Facilities Allotment
ASAHE: Additional State Aid for Homestead Exemption