

Property Taxes

Misguided Senate Bill 1 Could Tie Hands of Cities and Counties

Texas local governments – cities, counties, community colleges and hospital districts – provide vital services to their constituents. Locally elected officials decide how to provide these services and how to pay for them, an arrangement that reflects the values and desires of local voters.

The Texas Legislature is now threatening to interfere in these local decisions by limiting the ability of local governments to raise the revenue needed to deliver the public safety, health care, parks, libraries and other services their communities want.

Senate Bill 1, filed by Sen. Paul Bettencourt of Houston, would cut the amount by which local governments could increase their property taxes without a special election. CPPP opposes SB 1 because it would override the values and desires of local voters and limit local governments' ability to provide services. This proposed interference by the state in local control over taxes and spending would violate the basic democratic principle described by Thomas Jefferson - "That government is best which is closest to the people."

Under current law, local governments can choose to increase their property-tax revenue (not including taxes from new construction) by up to eight percent a year. This can happen, for example, in response to demands by residents for better or expanded services. If local leaders propose a tax increase larger than eight percent, then voters may petition for a "rollback election" that would "roll back" the proposed tax increase to the eight percent ceiling. The Senate

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version of SB 1 would slash the cap to four percent and require a special election, without a petition, for any tax increase over four percent. The House version would cut the cap just to six percent and would exempt smaller cities and counties, as well as community colleges.

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The rationale for SB 1's arbitrary restriction is to reduce property taxes on homeowners, who the Senate sponsors claim are being squeezed by tax bills that are rising faster than their ability to pay them. But as the *Dallas Morning News* reported, this claim is based on [faulty math](#). The article shows that even economists using different measures agree that the true fact is: property taxes and household income grow at similar rates.

It is important to remember that more than half of local property taxes go to school districts, which SB 1 would not affect. And there is a much better way for the state to reduce school property taxes – increase state aid to public education so that our schools are not forced to raise tax rates just to cover inflation, reduce class size, and attract and retain the best teachers. Instead, SB 1 would restrict local governments from raising revenue needed for other services like public safety, courts, and health care.

Proponents of mandatory elections say that they are necessary to “give the taxpayer a voice.” But local officials hear from their constituents every day in their

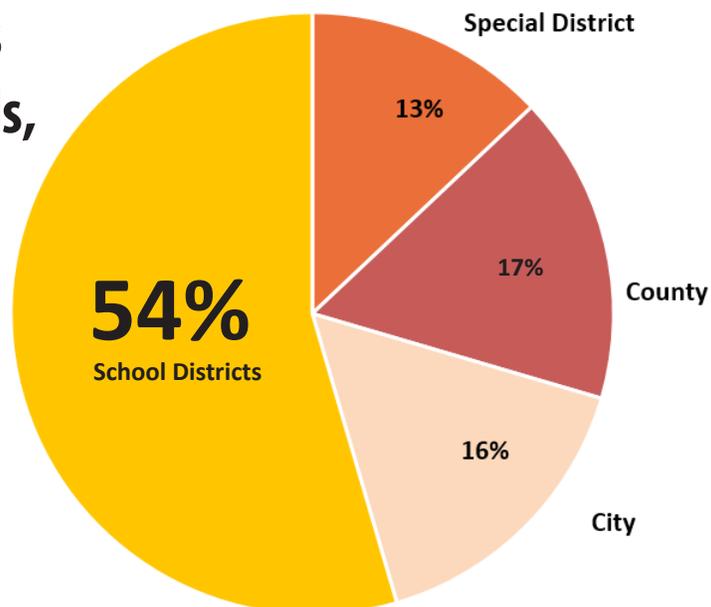
neighborhoods and grocery stores. Moreover, these officials must stand for reelection at least every four years in campaigns that invariably involve taxes as a major issue. Layering on a new election requirement would add an unnecessary cost and force acceleration of the entire appraisal, protest, budget and tax-rate setting process to fit in an election in November.

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In fact, a lower rollback rate might actually increase annual taxes. Any responsible local financial officer would want to build up cash reserves against the possibility of a future emergency that would require a higher tax rate, so might recommend going to the limit even in years when it was not immediately necessary.

SB 1 is just one part of a broader scheme of some state lawmakers to interfere in local decisions that would hamstring the ability of Texas' cities to address the changing needs of their constituents.

Most property taxes are for public schools, which SB1 would not affect



Source: Texas Comptroller of Public Accounts, 2015 Property Tax Collections.

CPPP is an independent public policy organization that uses research, analysis and advocacy to promote solutions that enable Texans of all backgrounds to reach their full potential. Learn more at CPPP.org. For more information, please contact Oliver Bernstein at bernstein@cppp.org or call 512.823.2875.