

# Gov. Abbott unveils property tax plan with a 2.5 percent revenue cap

STATE-GOVERNMENT By Jonathan Tilove - American-Statesman Staff

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Gov. Greg Abbott, from left, state Rep. Dennis Bonnen, R-Angleton, and David Garcia, a Harris County homeowner, are seen during a news conference Tuesday at the Westin Galleria Hotel in Houston. Jon Shapley / Houston Chronicle

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## *Highlights*

Abbott's plan also seeks to limit increases in local debt.

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Critics said real property tax relief would happen by increasing state funding of public schools.

Gov. Greg Abbott unveiled a property tax reform plan Tuesday that would cap revenue increases for local taxing entities at 2.5 percent a year. It promises to be the centerpiece of his re-election campaign and, if he wins a second term, his top priority in the next session of the Legislature.

The plan also would prohibit the Legislature from imposing unfunded mandates on the local jurisdictions that would be bound by the cap.

“Enough is enough,” said Abbott, who traveled Tuesday to Houston to announce his proposal.

“Under the plan I am announcing today, Texas will take action to limit property tax growth, secure private property rights and ensure that Texas remains the most exceptional state in the nation,” Abbott said.

The Abbott plan is more sweeping than the property tax rollback proposals that foundered during last summer’s special legislative session amid disagreements among House and Senate Republicans. The governor’s initiative takes aim at property tax increases that have outstripped growth in household income and, in his view, accelerated gentrification, compromised Texas’ reputation as a low-tax state and fed a burgeoning public sector.

The governor was flanked at his Houston press conference by a bevy of state leaders, including Lt. Gov. Dan Patrick, who blamed the House for scuttling property tax reform last year, and House Ways and Means Chairman Dennis Bonnen, R-Angleton, who put the onus on the Senate.

Abbott acknowledged that his tax plan requires school finance reform, now being studied by the Texas Commission on Public School Finance created by the Legislature last summer.

## **Local debt**

Critics of the governor's plan said the real road to property tax relief is to dramatically increase state funding of public schools since school funding makes up a big chunk of local property taxes.

"If Gov. Abbott is really concerned about property taxes, then he should join the business leaders and other Texans calling for more state investment in public schools," said Ann Beeson, executive director of the progressive Center for Public Policy Priorities.

Abbott's plan also seeks to limit increases in local debt by requiring two-thirds of voters to approve issuance of new local debt. The governor's office cited figures from the Texas Bond Review Board indicating that Texans are liable for \$8,350 in local debt per capita, the second-highest per capita burden of the 10 largest states.

The 33-page paper describing the plan notes that Texas, contrary to its reputation as a low-tax state, has the sixth-highest property taxes in the nation, according to the Tax Foundation.

But Guy Sconzo, executive director of the Fast Growth School Coalition, said Abbott's approach would "limit local government's ability to issue debt and local government's ability to continually adjust to growth in their communities. It's simply not a workable solution to the challenges facing local taxpayers and public education."

Dale Craymer, president of the Texas Taxpayers and Research Association, said his group was not consulted on the plan, but, "given that Austin has raised property taxes by the 8 percent maximum in two of the past three years, the proposal would most certainly be expected to be a constraint. Austin's school district, however, has been losing students, so it's less clear how the 2½ percent might impact them."

Between 2013 and 2016, Austin increased its tax revenue 18.9 percent, compared with 35 percent in San Antonio, 26.6 percent in Houston, 24.6 percent in Dallas and 17.1 percent in Fort Worth, according to a presentation that state Sen. Paul Bettencourt, R-Houston, the GOP point man on property tax reform in the Senate, made to Craymer's organization in December. Among the biggest counties, Travis increased its revenue by 18.9 percent during the same period, Bexar by 38.2 percent, Harris by 36.4 percent, Dallas by 25 percent and Tarrant by 11.6 percent.

Abbott's plan would require legislative approval but would not have to appear on a state ballot.

## **'Extreme' proposal**

Under the governor's proposal, implementation of the cap would wait until 2021 to give taxing entities time to prepare.

New growth, including new construction and improvements to existing developments, would be exempt from the 2.5 percent annual revenue cap the year that new growth goes on the tax rolls.

The governor's plan would require the locally elected officials who oversee taxing districts to approve the increase in property appraisals.

The plan would make it tough for a taxing entity to override the 2.5 percent annual revenue cap, requiring that two-thirds of the elected representatives of the taxing district agree to place the increase on the ballot and two-thirds of those voting approve it.

The plan also specifies that any increase in excess of the cap "must be for limited purposes: compensation for emergency services personnel (including law enforcement), compensation for classroom teachers, or other instructional personnel in public schools, or critical infrastructure, such as road, bridges and school classrooms."

Also, under the plan, any increases beyond the 2.5 percent cap cannot in any case exceed the statewide increase in population growth plus inflation as calculated by the comptroller.

The Legislature's failure to agree on property tax reform last year was the governor's biggest disappointment in 2017.

"Gov. Abbott's latest, and most extreme, property tax proposal is typical of election year promises made by politicians," said Bennett Sandlin, executive director of the Texas Municipal League. "Texas has rejected such proposals for decades because they would endanger public safety, job creation and road projects. Doubling down on a bad idea will not produce meaningful property tax relief for Texans."

Austin Mayor Steve Adler said Sunday that state leaders are "disingenuous" when it comes to property tax reform.

“We all know property taxes are going up way too fast. We feel it. But most people don’t know that more than two-thirds of the increase in your property tax bills over the last five years, over 70 percent, is not from city taxes, not county taxes, not special districts taxes, and not from all of those taxes added together,” Adler said, in launching his re-election campaign. “The biggest chunk of your property tax increase is the part that AISD levies that goes to the state and never comes back. Your property tax bills have gone up so much, so fast, because the Legislature hasn’t fixed school finance and hasn’t even really tried.”

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### **Abbott’s property tax plan would:**

- Restrict increases in property tax revenue for local taxing entities to 2.5 percent per year.
- Require locally elected officials who oversee taxing districts to vote to increase property appraisals.
- Limit increases in local debt by requiring two-thirds of voters to approve issuance of new local debt.