

Abbott's property tax proposal includes unfunded-mandate limits

By John Austin/CNHI LLC State Reporter 17 hrs ago



AUSTIN — Gov. Greg Abbott recently announced that he wants an annual property tax revenue growth cap of 2.5 percent but the plan is already generating skepticism over its odds of legislative support.

“We did see challenges in the last session,” of the Texas Legislature, said Vance Ginn, director of the Center for Economic Prosperity at the Texas Public Policy Foundation, a conservative Austin think tank. “Probably because it seems to be that there was a lot of misgiving by local officials.”

Those misgivings arose from unsuccessful efforts to rein in property taxes during the 2017 state legislative sessions, and some observers are saying a 2.5 percent cap isn't likely to make selling a bill any easier, even with Abbott's proposal to limit unfunded mandates imposed on local-level government.

The House last year pushed for a 6 percent figure to trigger elections for property tax collection increases, while the Senate wanted the figure to be 4 percent, with no compromise ultimately emerging.

“You couldn't have passed 2.5 percent in 2017,” said Dale Craymer, president of the independent nonprofit Austin-based Texas Taxpayers and Research Association, and even with another two years of property tax growth by the time lawmakers reconvene in 2019, “the debate will be spirited.”

Ginn speculated that Abbott's recommendation to prevent state lawmakers from imposing unfunded mandates at the local level could help sweeten the deal.

But in assessing the Abbott plan on its website, the Texas Municipal League said the unfunded-mandate prohibition is a “small consolation.”

Paul Sugg, legislative director for the Texas Association of Counties, was enthusiastic about the unfunded mandate protection in Abbott's plan.

“It should be enshrined in the constitution,” Sugg said. “If you put in statute, the Legislature can change it with relative ease.”

Sugg was less supportive of the rest.

"This is about people wanting to concentrate decision making in Austin," Sugg said. "It's a continuation of an assault on local governments."

In addition to state lawmakers' takeover of what were originally locally controlled: Denton's ban on gas-well fracking ban and Austin's regulation of ride-hailing companies such as Uber, Sugg cited a bill that would have trashed locally enacted plastic-bag bans in Texas cities.

Abbott's proposal would include cities, counties, school districts and other taxing entities.

It also stipulates that appraisal district directors would have to be locally-elected officials, such as county commissioners, and would prohibit taxing entity employees from serving in any capacity.

Going beyond the 2.5 percent mark would require a two-thirds supermajority of voters.

Critics say the plan would hinder local governing entities from funding public safety and public schools.

While the lion's share of the money the state contributes to public schools comes from sales taxes, "the state is putting in less and less," Craymer said. "That's part of the problem."

That leaves school districts to look to property taxes for funding.

Limiting the ability of local districts to raise tax dollars is sure to hit opposition, barring big changes in education funding.

"The state has been quick to reap the benefits of rising property taxes," Craymer said. "They can put less money into schools."

Meanwhile, "for individuals, we are a very low tax state," Craymer said.

According to the Tax Foundation, an independent tax policy nonprofit, the amount of property tax that Texans paid as a percentage of state and local taxes in fiscal 2014 — 40.4 percent — was the nation's fifth highest.

But according to the foundation, compared to the U.S. average of 9.9 percent, Texans spent only about 7.6 percent of their income on state and local taxes in fiscal 2012, the latest year for which numbers were provided.

“This is still going to be a hurdle to get done,” in the next legislative session, Ginn said, but “we’re excited.

“Really it’s not a cap. What we’re calling it is a trigger — a trigger to local elections.”

John Austin covers the Texas Statehouse for CNHI LLC’s newspapers and websites. Reach him at jaustin@cni.com.