

February 14, 2019

Why SB 2 & HB 2 Are the Wrong Approach to the Property Tax Puzzle

Dick Lavine, lavine@cphp.org

The Texas Senate may soon vote on SB 2, a misguided proposal that would limit the ability of cities and counties to decide how much to devote to police, fire, paramedics, and other local services. Special areas like community colleges and hospital districts would suffer similar restrictions on their ability to support services. The bill also contains “placeholder” language that indicates lawmakers could bring school districts under new limits later in the legislative process. Limiting school districts’ ability to raise funds to educate the 5.4 million Texas public school students would completely undercut state leaders’ commitment to remodeling our school finance system.

When our state is growing and the cost of providing services is rising, cutting local governments’ ability to meet the needs of their residents is illogical, especially with the unpredictability of state and federal funding.

A recycled idea that failed to pass in the 2017 Legislative Session, the “property tax cap” would force cities, counties, community colleges and hospital districts to hold an election any time they wanted to raise property taxes by more than 2.5 percent above the previous year’s revenue. The 2.5 percent cap is even more severe than the four, five and six percent caps unsuccessfully floated in 2017.

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. They may act, 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 proposed versions of SB 2 and HB 2 would slash the cap to 2.5 percent and require a special election, without a petition, for any tax increase over that level. Senate Bill 2 applies to counties with tax revenue over \$15 million, but smaller cities, counties, and other taxing units may voluntarily accept these limits.

When we vote locally for city, county, and other local officials, we are choosing by extension how much we want to pay for schools, public safety and other services we value. If we disagree with the decisions of our local elected officials, we can choose to vote them out in the next election. This legislation suggests that state leaders don’t trust Texans to make the best decisions for our own communities.

If the Texas Legislature is really concerned about property taxes, then it should join the business leaders and other Texans calling for **more state investment in public schools**. The increased reliance on property taxes to fill school funding gaps is the direct result of the state's decreasing share of funding for public education. There are also better ways to reduce city and county property taxes on homeowners, like the local [flat tax homestead exemption](#).

We are pleased that the Governor, Lieutenant Governor and House Speaker have all said that boosting public school funding is their top priority in 2019. But the big questions remain: Is the state committed to raising the new revenue needed to replace school property taxes? Will that revenue come from sustainable and equitable sources? And how will that increased revenue be distributed among school districts? Until the full plan is visible, the Senate should not act on just one piece of the puzzle.

CPPP has identified [common-sense revenue solutions](#) that will [generate more funding to support public schools](#). We encourage lawmakers to scrub the tax code of wasteful or outmoded tax breaks, update certain tax rates that have been unchanged for decades, and modernize the sales tax to reflect the modern economy.

We encourage Texans to voice their opposition to this attack on local services and community control by contacting their Senator NOW, before the upcoming Senate floor debate on SB 2.