HB2

HB2/SB2

One of the biggest support arguments for this bill is to let the voters decide apart from the previous election of the officials. The basic bill calls for an election if the overall tax proceeds exceed a 2.5% increase. The 2.5% seems to be a random, sounds good number without little thought for the differences in city operations.

Arguments against the bill would be to limit state inference in local control of taxes and expenses. These items are controlled by a locally elected government that can be changed at each election cycle.

Republicans believe in local control. For example, the State does not want inference from the Federal government and the local governments do not want inference by the State government.

The randomly chosen 2.5% can burden a city with a costly election and fails to identify the differences in city revenues and growth factors. For example, some cities have a very high sales tax revenue and fee revenue generating up to, and over, 50% of the city revenue. That means that approximately 50% of the revenue is property tax. In other cities, sales tax may only be 10-20% of the revenue and the remainder property tax. The one size fits all 2.5% state mandated rate does not work.

One of the biggest arguments against is the raw cost of special elections. In the early version of the bill, the election was expected to be the November election. That process is easy in even numbered years but in odd numbered years, there may not be a scheduled election which can be very costly. This has been amended to the regular May elections but many cities have and unopposed slate that would not require and election. Additionally, there is a city cost to be on the ballot with the elections office so scheduling it with a routine election has an inherent cost, often polling places in the city that are required.

While the Legislature pretends to be “reducing” property taxes with this bill, it really would have little effect. School taxes are already capped at $1.67 / per $100 so this bill is primarily focused on city elections. What the Legislature does not want to admit is that THEY are stealing the money from the property taxes to balance the State budget.

First, the schools began a downward spiral in State financing after the tax act of 2007 dictated a cap on the school tax with assurances that the State would fund the schools. In the first budget after than in 2009, the State realized that the budget could be $4 billion to $6 billion short if they were to fund the schools. Their solution was to take some of the shortage out of the “rainy day” savings account, a bad choice for a recurring expense. Second, they continued the “Robin Hood” plan that had been put in place in the 1990s where the State took money from “property rich” school districts (recapture was the nice word) and therefore the State was requiring local districts to use their property tax revenue (the only source of revenue except for State funding) to support underfunded districts in a bizarre formula.

In 2019, Plano ISD will send $200 million of the residents of Plano property tax to the State to fund districts that the State will not fund properly.

Under the radar, the State also takes revenue from the cities under the caption of "fees." Merchants collect the city's 1% sales tax and submit that to the Comptroller's department along with the State's 6.25% and the other 1% which can be a transit tax or economic development tax. When the State returns the city's 1%, they only return .98% maintaining a fee of 2% of the 1% as the handling charge. These accumulated fees are more than the State Comptroller's budget allowing the State to collect their 6.25% for free. The difference is made up in property taxes.

Also, cities are expected to provide law enforcement for the safety and protection of their citizens. A part of that is traffic enforcement. The city provides vehicles, equipment, officers, courts, and overhead to collect traffic fines. The State requires the city to pay the State approximately $80 of the fine collected. The balance of the city budget is funded by property taxes.

The 2.5% cap is the State pandering to the populist vote that they are "helping" with property tax relief. The real solution is for the State to properly fund public education, let the cities operate with the revenue they deserve without hidden fees and property taxes would reflect that on a local budget.

The State has already failed to fund roads and have deferred that to toll road system in the major cities. If your car gets 25 mpg, a toll tax of $.18 per mile is a $4.50 per gallon "tax" for underfunding road construction.

How does the State balance their budget without stealing from the school districts or cities? Their only choice is to reduce spending or increase revenue. Probably the best choice would be an increase in the fuel tax so that non-residents and heavy trucks that travel the Texas roads contribute to the welfare of the State. In the end, this tax would provide real relief in the excessive property taxes caused by the State's unofficial use of local property tax and allow road construction in the State without toll roads.

Additionally, the State could develop a strategy to buy back the toll roads with bonds paid by fuel taxes and get rid of the excessive gas tax in those targeted cities with toll roads.