

Jasper County Financial Analysis Effects of Property Tax Caps on Jasper County

Legislative Department
Texas Association of Counties

Under current law, counties may not raise the maintenance and operations portion of their tax levy more than eight percent (8%) over the preceding year without triggering a rollback petition and election. Two recent legislative proposals for reducing the roll back rate would have restricted the growth of the property tax levy to three (3) or five (5) percent annually. The following scenario illustrates the effect of further restricting the flexibility of local officials' ability to set tax rates in order to fulfill the responsibilities and mandates placed on county government.

The largest percent of Jasper County's expenditures fund essential services. Law enforcement, corrections, and judicial services account for fifty three percent (53%) of expenditures. Twenty two percent (22%) of the expenditure total is related to infrastructure and environmental services which includes building, maintaining and improving roads. General administration includes maintenance of all county facilities and information technology for Jasper County (the County) and represents thirteen percent (13%) of expenditures. Eight percent (8%) of the remaining expenditures are related to financial administration which includes the tax assessor-collector, treasurer, and auditor offices. The remaining four percent (4%) is attributed to health and human services as well as community and economic development activities (see Chart I).

The Commissioners Court voted to adopt a tax rate in fiscal year 2005 which generated a levy of \$7,073,915. If a 3% or 5% property tax cap had been in place, the corresponding levies would have totaled \$6,747,427 and \$6,878,580 respectively. This would have resulted in a loss of revenue of \$326,488 or \$195,335.

Under the above stated scenario if a rollback election succeeded, the County would be required to cut or reduce services. The previously stated number of \$326,488 (3% rollback tax rate) is equivalent to the approximate combined budgets of the:

- emergency management,
- highway patrol,
- healthcare unit,
- senior citizens services,
- child foster care,
- public library, and
- historical commission.

In order to maintain adequate services and meet emergency demands, it is important for local officials to have flexibility when setting their tax rate. Jasper County serves as an excellent example of the need for this flexibility because it was greatly affected by hurricanes Katrina and Rita. The County has depleted its reserves in order to respond to

both the needs of its residents and Katrina evacuees. Adequate reserves are necessary to protect against such emergencies or other strains on the county's finances such as economic downturns. Reserve balances are an important factor used by rating agencies to determine a county's credit quality. Credit ratings are important to counties because a better rating translates to lower borrowing costs. In this situation, at a time when the County needed to borrow money the most, it has cost them more. The County was forced to borrow \$2.5 million on tax anticipation notes because \$7.2 million in hurricane related bills came in, and they could not wait for FEMA reimbursements. At this time, they are not sure when they will be able to pay back the money. It will cost at least \$150,000 in interest, and their bond rating will worsen if repayment of the debt is delinquent or late.

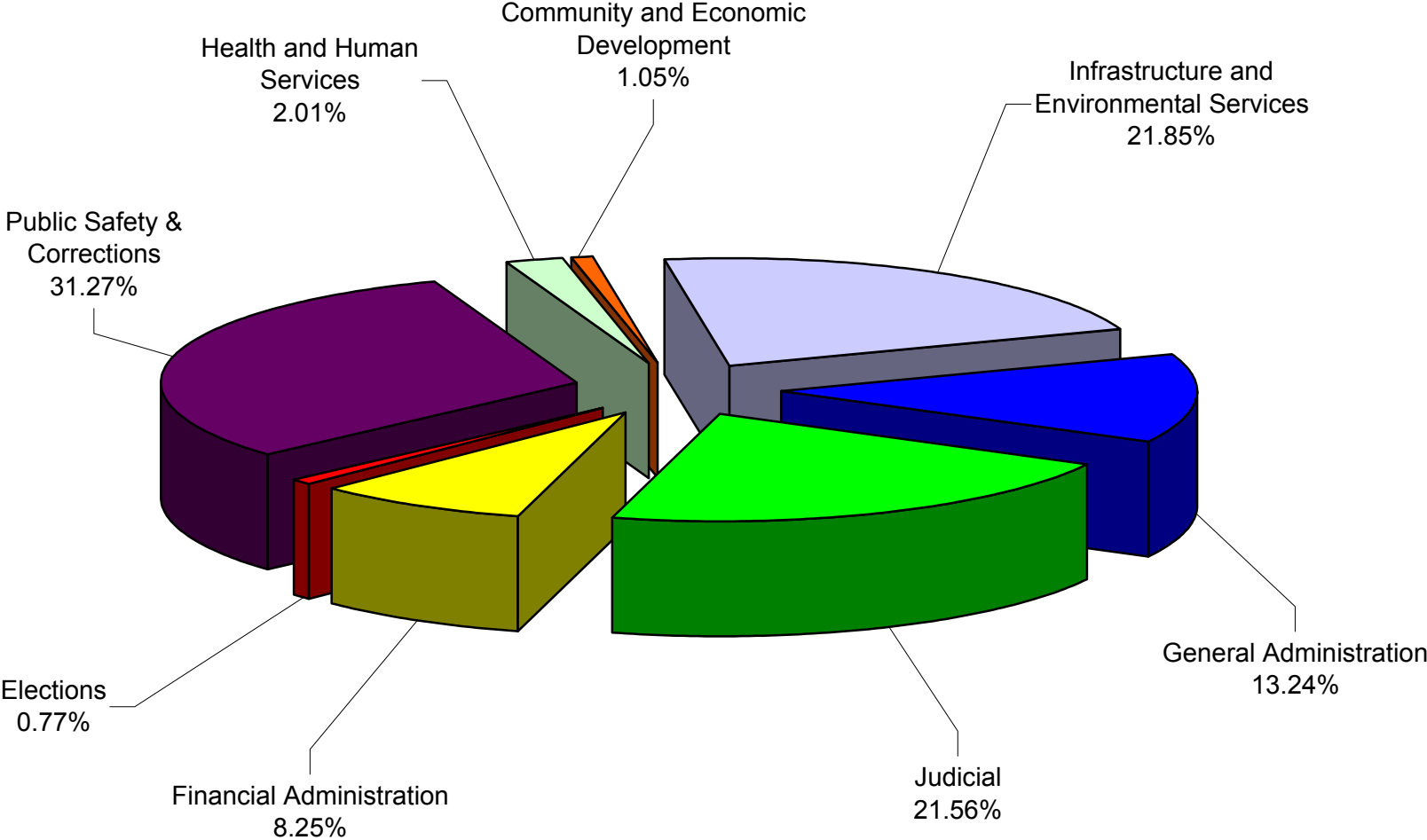
To make matters worse, the County, like all Texas counties, is heavily dependent on property taxes (see Chart II). Much of Jasper County's land, buildings and infrastructure were damaged by the storms; thus lowering its taxable value. To date, no estimates are available regarding the loss of appraised value. The certified appraisal roll is due to the Tax Assessor-Collector from the appraisal district on July 25th of each year. However, many properties are being reappraised due to the damages sustained. Jasper County Judge Joe Folk recently told the *The Beaumont Enterprise*, "I pray a lot," when describing the bleak financial circumstances.

A recent legislative proposal would have capped appraised value increases at five (5) percent per year for homesteads. Under such a proposal, this struggling community, already under a ten (10) percent cap, would need years to rebuild and regain the prior revenue stream necessary to provide service to its citizens, comply with mandates, repay debt, and rebuild reserves.

The deterioration of the tax base in areas of the state hit by these and other natural disasters, coupled with increased demands for county services, has been crippling. **As the Governor recently acknowledged, "The budgets of sparsely populated populations have limited flexibility, and these consecutive disasters have stretched them so thinly that funding for other basic services is affected."** --*Houston Chronicle, November 1, 2005*

All calculations provided by the County Information Project. Contact Julie Marks at (512) 478-8753 with any questions.

**JASPER COUNTY, TEXAS
GENERAL FUND AND ROAD AND BRIDGE EXPENDITURES
FISCAL YEAR 2006 BUDGET
CHART I**



**JASPER COUNTY, TEXAS
GENERAL FUND REVENUES
FISCAL YEAR 2006 BUDGET
CHART II**

