

## The Effects of Revenue Caps on Local Control

The most difficult decision that a locally elected official must make is a vote to raise taxes, and local officials always try to balance their budgets without having to take that course of action. By state law, Texas counties currently have an eight percent revenue cap, meaning that if taxes are raised more than eight percent above the effective tax rate, local voters may petition to call an election on whether to roll back the tax rate.

A legislative addition to Texas' truth in taxation law was made for taxpayers in 2005, with passage of SB 18. Now, any increase from the effective tax rate is open to even greater public scrutiny with large public notices in local newspapers that the new rate is indeed a tax increase, official minutes that document which officials voted for or against the tax increase, and the additional tax dollars owed on a \$100,000 home. Local entities must now hold two public hearings with their citizens to discuss the tax rate, giving the public ample opportunity to voice their concerns or support.

However, some state leaders have proposed legislation that says if local governments increase their budgets by one cent more than the amount received the previous year (adjusted to account for changes in appraised value, i.e., the "effective tax rate"), then governing bodies must call an election to seek voter approval.

A more restrictive revenue cap would substantially alter the relationship between commissioners courts, various independent county departments and local voters. Since 1887, voters have elected commissioners courts to consider budget requests by various county departments, weigh them against the public's priorities as expressed during the general election process and then adopt a budget that fits within the county's tax rate. In effect, approving each department's budget is the commissioners court's only control over county government operations. It is an essential counterweight in county government's checks-and-balances system of government.

Most of a county's operations are mandated by federal or state law, including supporting the court system, incarcerating defendants in jail, providing health care for indigents, documenting land ownership and other public records, and administering elections. The bulk of the remaining functions are discretionary but very popular with

voters, including the maintenance of roads, law enforcement patrols, emergency medical services, parks and libraries. When economic conditions call for more or improved roads, or when an increase in crime demands an increase in law enforcement capability, the county can adjust by increasing resources in those areas. That may mean raising taxes – either to pay for unfunded mandates imposed upon local governments and taxpayers from above or for discretionary services the citizens demand.

A tighter revenue cap proposal would require an expensive election for minor spending increases. It would discourage governing bodies from making responsible spending decisions for fear that demagoguery would keep the community in constant turmoil. Requiring voters to approve all revenue increases undermines one of county government's traditional strengths: local control. In our representative democracy, we elect policymaking officials so that they will weigh the options and establish priorities. Voters who dislike the decisions that elected officials make have the ability to remove those officials from office at the next election.