TOP 10 REASONS REVENUE CAPS ARE A BAD IDEA

10. Unexpected service demands may increase beyond 3 or 5 percent

Are deputies supposed to ignore busting a new meth lab, because it isn't in the budget? Should a county reschedule a capital murder trial until the next fiscal year? Shouldn't roads be built to link new developments to services?

9. Roads, hospitals, libraries and parks make our communities livable

Business decision-makers want to locate their operations in communities where people want to live. Discretionary quality of life expenditures, like libraries, would be the first to go.

8. Pay-as-you-go government would be discouraged

Inability to raise revenue to fund expensive buildings, roads and other infrastructure will encourage local governments to spread payments over time, to remain below petition levels. Local governments would turn more and more to bonds – except for one thing…

7. Depletion of reserve funds would mean lower bond ratings

After imposing its own revenue cap plan in 2004, the City of Houston saw its bond rating significantly reduced by a rating agency that specifically cited the revenue cap as a major reason for the drop. The city then had to revise its cap plan to save its bond rating.

6. Government-specific inflation means tougher demands on service budgets

Cities and counties must purchase services and products that produce a different inflation rate than the Consumer Price Index, and government inflation has run higher than the CPI. For instance, costs of fuel and road construction materials – major cost drivers for counties, as well as TxDOT – have increased by double digits.

5. **Local government tax incentives would disappear**

Over the past 20 years, local abatements have been primary drivers of government-induced economic development. Tax abatements and other economic development efforts would end.

4. **SB 18 passed by the Legislature in 2005 and HBs 3195 and 3495 in 2007 greatly strengthened truth in taxation laws for taxpayers**

State lawmakers should allow these changes to work for taxpayers, instead of usurping the local control of locally elected officials and their voters.

3. **High growth communities would be hit particularly hard**

New people mean more services. Property tax collections based on Jan. 1 values always lag a year behind. Suburban communities, where farmland suddenly requires city services, demand new roads and other basic infrastructure.

2. **Unfunded and under-funded mandates from the state would be unachievable**

If the state hiccups, local government gets the flu. Revenue caps would not give counties constitutional protection against unfunded mandates but would statutorily let the state dictate local decisions on budgets with no protection against state mandates.

This is not meaningful protection for taxpayers.

1. **The Legislature already granted major school property tax relief, and those benefits should be allowed to work for taxpayers without taking away local control**

In 2007, the Legislature voted a $14.2 billion property tax cut with its school finance reforms. Since school taxes make up the bulk of property tax bills, the Legislature should not punish other local governments. County taxes are not the problem, being only 15 percent of property tax bills, compared to school taxes at 58.8 percent. A recent statewide poll showed that 77 percent of Texans want their local tax rates set by local officials, NOT the Texas Legislature.

Leg. Ad. Texas Association of Counties, Karen Ann Norris, Executive Director,
1210 San Antonio, Austin, TX 78701

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