

Texas: Lawmakers introduce new attempt to manage property taxes



David M. Kall | Thursday, July 27, 2017

On June 6, 2017, Gov. Greg Abbot unhappily **announced** a legislative special session that would begin on July 18, 2017. Emphasizing his mood, he declared that “[a] special session was entirely avoidable, and there was plenty of time for the legislature to forge compromises to avoid the time and taxpayer expense of a special session.”

In his official July 10, 2017, **proclamation** to convene the session, the governor cited his reason – the looming statutory elimination of the following five agencies on Sept. 1, 2017, absent legislative action:

1. The Texas Medical Board
2. The Texas State Board of Examiners of Psychologists
3. The Texas State Board of Examiners of Marriage and Family Therapists
4. The Texas State Board of Examiners of Professional Counselors
5. The Texas State Board of Social Worker Examiners.

After the necessary legislation to keep the lights on at the agencies passed, lawmakers began tackling the rest of the special session’s agenda:

1. Teacher pay increase of \$1,000
2. Administrative flexibility in teacher hiring and retention practices
3. School finance reform commission
4. School choice for special needs students
5. Property tax reform
6. Caps on state and local spending
7. Preventing cities from regulating what property owners do with trees on private land
8. Preventing local governments from changing rules midway through construction projects
9. Speeding up local government permitting process

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10. Municipal annexation reform
11. Texting while driving preemption
12. Privacy
13. Prohibition of taxpayer dollars to collect union dues
14. Prohibition of taxpayer funding for abortion providers
15. Pro-life insurance reform
16. Strengthening abortion reporting requirements when health complications arise
17. Strengthening patient protections relating to do-not-resuscitate orders
18. Cracking down on mail-in ballot fraud
19. Extending maternal mortality task force

Although it was only number five on the list, property tax reform is on the top of the governor's mind.

In an article titled "[The Rat's Nest of Property-Tax Reform in Texas](#)," the *San Antonio Current* reminded Texans that they pay the sixth highest property tax rates in the country (Illinois has the highest). The piece stated that the property tax problem is at the heart of the state's broken public school finance system. The House Speaker opined that "[n]obody can be serious about property-tax relief while consistently reducing the state's share of education funding."

In April, we [described](#) a recent attempt to fix the property tax problem, [Senate Bill 2](#). The bill was designed to reduce the "rollback tax rate," which is a revenue cap for Texas cities and counties. The rollback rate is currently eight percent, and SB 2 would have reduced that to five percent. In March, the bill passed in the Senate, and was sent to the House, where it stalled.

A new measure, introduced on July 18, 2017 during the special session, [SB 1](#), seeks to lower the rollback rate from eight percent to four percent, among other things. If the taxing unit adopts a tax that exceeds the four-percent threshold, SB 1 calls for an automatic rollback election. In the fiscal years from 2019 to 2022, a rollback rate reduction would cause a probable net revenue loss between \$144 million and \$167 million for counties, and for cities, between \$114 million and \$132 million.

Under current law, more than half of local property taxes go to school districts, explains the [Center for Public Policy Priorities](#) (CPPP). Local governments have the flexibility to increase their property tax revenue up to that eight percent amount mentioned above, in response to, for instance, residents' demands for more or better services. Capping that amount at four percent instead, as SB 1 would do, interferes with local control by limiting localities' abilities to address their own specific needs.

Instead, CPPP suggests, lawmakers should increase state aid to public education so that schools need not resort to increasing tax rates to reduce class size, attract and retain the best teachers, or cover inflation.

On the other hand, in its [2017 Legislator's Guide to the Issues](#), the Texas Public Policy Foundation supports a four percent rollback rate, along with using that rate to trigger a special election for any increase. This would force local governments to "justify excessive tax increases to voters," key to "creating a more predictable and sustainable tax environment that is necessary for ongoing economic growth and job creation."

The foundation notes that since 1989, the state's high court has ruled six times on school finance, most recently in 2016. Citing the Texas Education Agency's 2014-15 Financial Actual Report, it points out that in the 2014-15 school year, taxpayers spent \$60.98 billion on public education for 4.7 million students, or \$12,761 per student. The average annual teacher salary is \$50,715.

The foundation contends that "[p]ublic education is funded by an unnecessarily complex and inefficient system that is not student-centered. Texas' funding formulas have been cobbled together based on political dynamics, not by what works for students." The high court has "repeatedly encouraged" lawmakers to remodel the system, who have instead have "failed to enact any significant reform that would benefit students or taxpayers."





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