

Trends in Texas Government *Local Government Spending*

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Key Points

- Local government spending in Texas has soared in recent decades.
- Between fiscal years 1992 and 2008, aggregate local government spending in Texas increased from \$40.3 billion to \$115.9 billion, an increase of 187.7 percent. By contrast, the rate of population growth in Texas plus inflation totaled just 91.2 percent over the same period.
- It is critical that legislators address the growth of local government spending by expanding Texas' constitutional tax and expenditure limit to include local spending.

Over the past two decades, local government spending in Texas has risen sharply.

In fiscal year (FY) 1992, local expenditures totaled a cumulative \$40.3 billion; but by FY 2008, such spending had grown to \$115.9 billion, an increase of 187.7 percent.¹

While some measure of growth is to be expected—especially in a fast-growing state like Texas—this particular instance warrants attention because of the rapidity with which spending has grown in relation to other related metrics, such as population growth and inflation.

In 1992, Texas' population stood at 17.7 million residents; by 2008, that figure had reached 24.3 million, representing an increase of 37.7 percent.² At the same time, inflation—calculated using the Consumer Price Index—rose by a total of 53.5 percent.³ Combined, the percentage growth of population plus inflation increased just 91.2 percent from FY 1992 to FY 2008, or at slightly less than half the rate of local spending growth.

Recommendation

Within the current tax structure, local government spending growth of this nature is unsustainable in the long term and so, Texans and their elected officials must begin to seriously contemplate meaningful ways to change the trajectory of local spending. One potential solution: expanding the state's constitutional Tax and Expenditure Limit (TEL) to include local government spending.

As it exists today, Texas' TEL is relatively weak and only applies to certain types of state spending; however, with modest changes, the state's spending limit could be strengthened and reformed to not only control the growth of state spending but also local spending as well.

As detailed in previous publications,* the constitutional reforms needed are fairly simple:

- Expand the TEL to include all levels of government in Texas (i.e. cities, counties, school districts, etc.);
- Apply the limit to all areas of government spending; and
- Base the limit on the sum of population growth plus inflation or the growth in personal income, whichever is less.

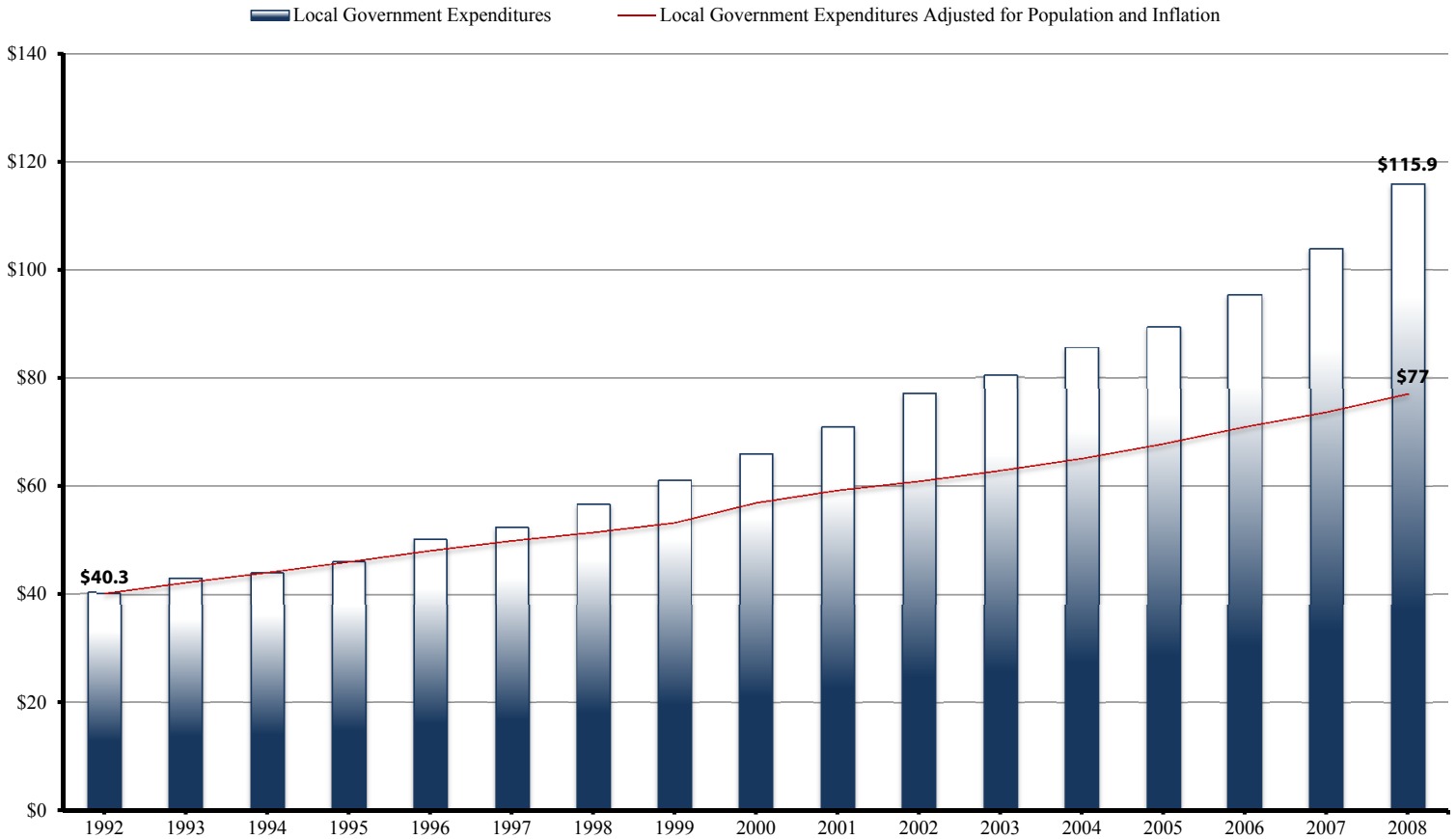
Though these changes may appear relatively minor, they have the potential to have a major impact.

Consider that if all local government spending had been limited to the sum of population growth plus inflation from FY 1992 to FY 2008, the cost of government would have been radically altered. Instead of actual local expenditures rising from \$40.3 billion to \$115.9 billion, adjusted expenditures would have risen from \$40.3 billion to approximately \$77 billion, amounting to a difference of \$38.9 billion less in FY 2008 and much more cumulatively over the entirety of the period (*see chart on back*).

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If legislators are serious about bending the cost curve for local government, then it is vital that local government spending be incorporated into a newly strengthened and reformed Texas TEL. ★

Local Government Spending in Texas



Source: U.S. Census Bureau, Bureau of Labor Statistics

¹ U.S. Census Bureau, *State and Local Government Finance* (22 Mar. 2011) <http://www.census.gov/govs/estimate/>.
² U.S. Census Bureau, *Population Estimates, "Annual Population Estimates,"* <http://www.census.gov/popest/states/states.html>.
³ Bureau of Labor Statistics, *Consumer Price Index-All Urban Consumers, U.S. (1982-84)* <http://data.bls.gov/cgi-bin/surveymost?cu>.

